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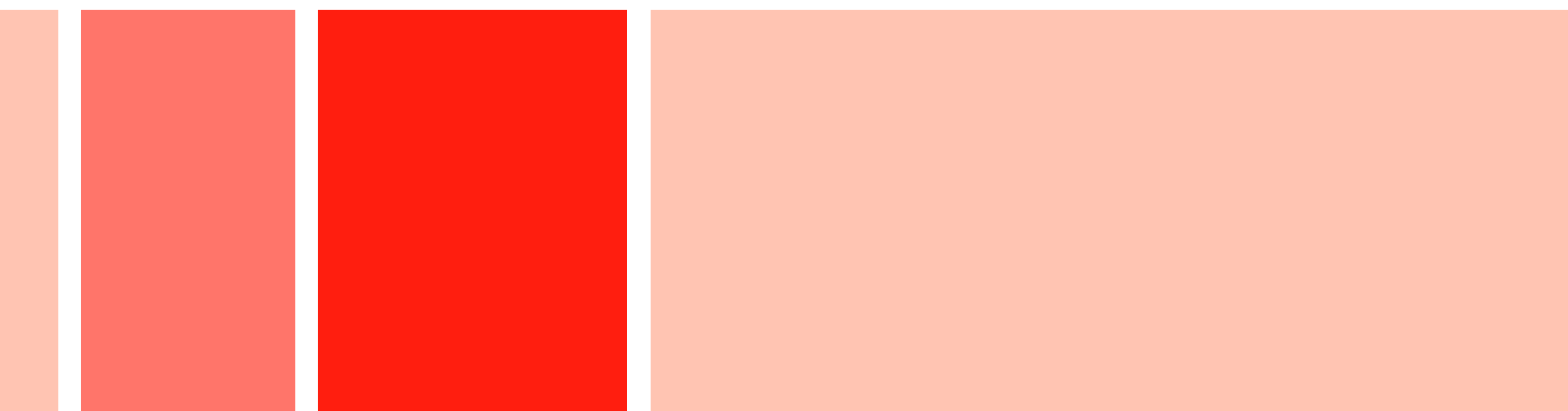
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Evaluation of the Post Office Diversification Fund



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Final Report

SQW Limited

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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Glossary of acronyms

PODF – Post Office Diversification Fund (2009-2012)

PODevF – Post Office Development Fund (2002-2006)

SPM – Sub-Postmaster/mistress

PO – Post Office

Non-PO – Non-Post Office

WG – Welsh Government

1. Introduction

An introduction to the Post Office Diversification Fund

1.1. The Post Office Diversification Fund (PODF) was established in January 2009 by the Welsh Government following the commitment to open a refocused fund for post offices in the One Wales policy document. Although post office issues are non-devolved, the Welsh Government introduced the Fund in recognition of the important community benefits associated with maintaining the post office network across Wales.

1.2. The aim of the PODF was to encourage post offices to diversify, and improve the retail businesses attached to post offices, thereby enabling them to remain commercially viable and sustainable, and benefit local communities more widely. The Fund was targeted at all sub-post offices across Wales. In order to achieve these aims, the Fund provided capital grants through a series of five funding rounds, and revenue grants for the first three funding rounds. Grants of under £5,000 were available for small-scale projects; grants of up to £20,000 were available for larger diversification activities. In the first four rounds of funding (2009-11), a total of 229 grants were awarded, with a further 87 grants awarded in July 2011 in the fifth and final round of funding.

1.3. The Fund built upon a preceding initiative – the Post Office Development Fund – which operated between 2002 and 2006, and provided grants to post offices in deprived areas to undertake capital works that would increase footfall and revenue of businesses attached to post offices.

Study aims

1.4. In June 2011, SQW was commissioned by the Welsh Government to evaluate the PODF. The aims of the evaluation were to:

- Review the extent to which the intended aims and objectives have been met.

- Assess the effectiveness of programme management and delivery.
- Assess the outcomes and impacts achieved by the Fund, both on the participating post office and the wider local economy and community.

1.5. In addition, the evaluation was required to assess additionality (i.e. the extent to which impacts are additional, above and beyond what might have been achieved anyway) and value for money achieved by the Fund. Also the evaluation was to comment on whether there is a continued rationale for intervention and, if so, to make recommendations on the form in which support could be provided in future.

Approach to the evaluation

1.6. The approach to this evaluation combined quantitative and qualitative research methods. Over a three month period, SQW undertook a range of consultations and analyses, including:

- A desk-based analysis of data on beneficiaries and spend.
- A review of Fund-specific and strategy documentation.
- Semi-structured interviews with management and delivery staff at the Welsh Government.
- Semi-structured interviews with external stakeholders, including representatives at Post Office Limited, Consumer Focus Wales, the Royal Mail Group in Wales, and the National Federation of Sub-Postmasters.
- A large-scale telephone survey with 144 of the 217 Fund beneficiaries, representing a statistically significant sample of beneficiaries from funding Rounds 1 to 4.
- Detailed case studies with six beneficiaries across Wales, which involved consultation with the SPM, community representatives and community members at each location.
- An additional telephone survey, which included 28 unsuccessful applicants and 28 SPMs who did not apply for the grant.

Report structure

1.7. This report is structured as follows:

- **Section 2** provides an overview of the PODF.
- **Section 3** provides a review of management and delivery processes, and an overview of activities delivered to date.
- **Section 4** presents evidence on outcomes and impacts achieved by the Fund. This includes an assessment of additionality and value for money.
- **Section 5** presents our conclusions and recommendations for policy-makers in future.

1.8. The report is supported by four Annexes: Annex A presents a detailed analysis of the beneficiary survey; Annex B presents the findings of the surveys with unsuccessful applicants and non-beneficiaries; Annex C contains the six case studies; Annex D lists the individuals consulted as part of this study.

2. Overview of the Post Office Diversification Fund

2.1. In this Section we provide an overview of the context for the PODF. We then set out and assess the design of the PODF, and provide recommendations on how this might be improved in future to ensure that the programme design is more logical and robust.

The context: challenges facing post offices in Wales and the UK and Welsh Government policy

UK policy

2.2. In February 2011, the National Federation for Sub Postmasters commented that at a UK level,

“Two major government closure programmes, the withdrawal of many key government services and other social and economic changes have resulted in 7,000 post office closures over the past decade” and that “Sub-post office income remains worryingly low”¹.

2.3. In a report published by the Department for Business, Innovation and Skills (BIS) in November 2010 entitled ‘Securing the Post Office Network in the Digital Age’, the UK government recognised that the Post Office is more than a commercial entity as it has a “distinct social purpose” and committed to ensuring that post offices remain a valuable social and economic asset for communities and businesses alike. This report sought to prevent further closures through a £1.34billion Fund to modernise the post office network over the four years to 2015. This would encourage sub post offices to convert to the new ‘Post Office Local’ model (which has been piloted over the last two years, including in four locations in Wales), expand and improve IT use, and support the expansion of accessible and affordable personal financial services available through the post office. Post Office Locals are housed within existing retail outlets, which is intended to build resilience into the business model and enable post offices to remain open for longer. Since then,

1

<http://www.nfsp.org.uk/uploads/pdfs/NFSP%20briefing%20Postal%20Services%20Bill%20House%20of%20Lords%20second%20reading%20Feb11.pdf>.

proposals have been made to restructure the post office network, creating 2,000 Post Office Locals nationally, as well as designating 4,000 “main post offices” in town and city centres.

2.4. The Postal Services Act received Royal Assent on 13 June 2011. The Act aims to modernise postal services by restructuring the Post Office Network. Provisions of the Act include:

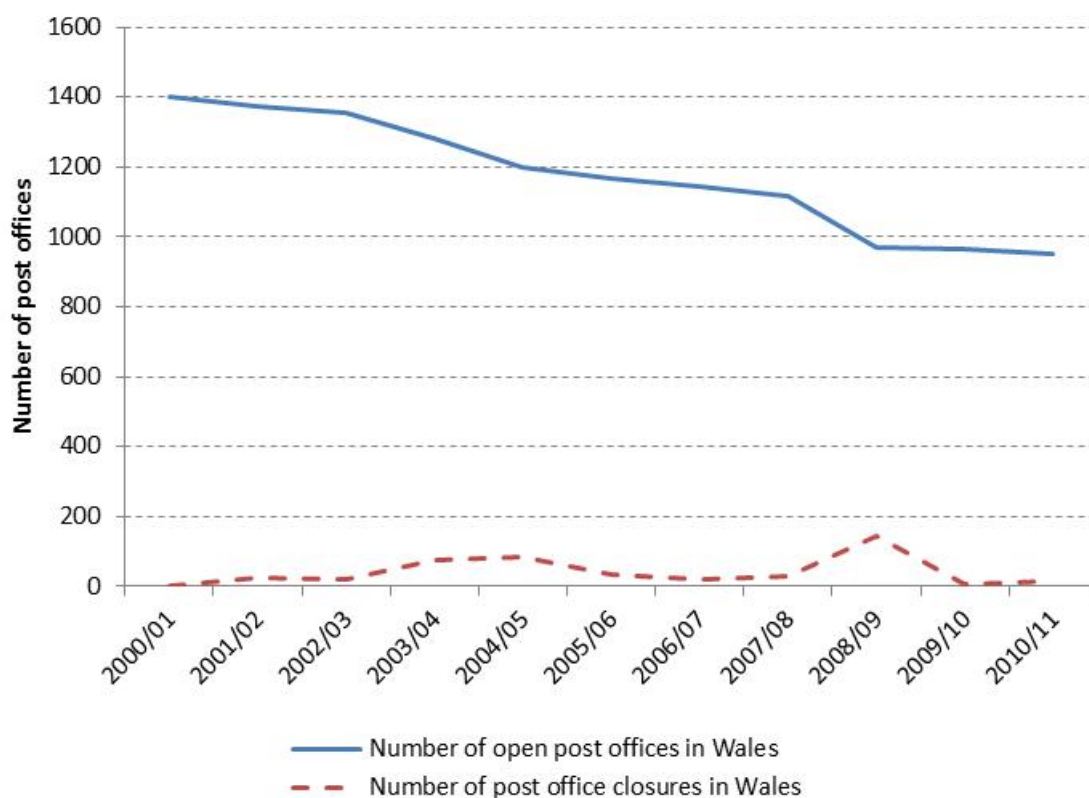
- maintenance of the universal service guarantee;
- the possibility of post offices in the network becoming mutualised;
- no further programmes of post office closures;
- confirmation that £1.34 billion is to be spent on the Post Office to modernise the network and to safeguard its future.

Welsh context

2.5. The PODF targets SPMs across Wales, who run post offices as self-employed agents for the Post Office². At present, there are around 950 post offices in Wales, although this number has declined by one-third since 2000/01 as illustrated below. The rate of closure increased particularly in 2003-05 and 2008-09 due to the Urban Network Reinvention Programme and Network Change Programme respectively.

² While SPMs generally own the premises of the post office, they are paid by the Post Office Limited through two payments (one paid regardless of transaction levels and one based on the number and type of transactions at the post office). Most post offices in the UK are run in this way, although some are directly managed by Post Office Limited.

Figure 2-1: Number of post offices in Wales



Review of PODF design

Rationale for intervention

The preceding Post Office Development Fund

2.6. The Post Office Development Fund (PODevF) was established in 2002 and offered grants to post offices in deprived urban and isolated rural communities for projects that would increase the financial viability of post offices and benefit to local communities. The main impetus for policy development around post offices originally stemmed from the planned move to the direct payment of benefits in 2003, which was thought to bring about a loss of up to 40% of the annual income of post offices. The PODevF was set up mainly to pre-empt the ensuing financial challenges - and potential closure - of post offices.³

³ WAG (2002) *ROAME statement for the PODevF, October 2002.*

2.7. PODevF was a £4.1million grant support programme available to post offices located in 125 of the most deprived⁴ and/or isolated communities in Wales (as research evidence had shown that both isolated and deprived communities are disproportionately affected by the loss of a local post office).

2.8. PODevF, delivered in four rounds between November 2002 and March 2006, was designed to **support the retention and development of post offices in disadvantaged communities across Wales**, by promoting diversification and increasing viability. PODevF aimed to support post offices to expand their range of post office services available, or to diversify into the provision of other products and services, following recognition that the post office was no longer the sole provider of many of its traditional services (with direct debit, post and internet becoming increasingly popular ways of paying bills and purchasing television licences and car tax).

2.9. This was a capital grants scheme focused only on:

- structural/aesthetic improvements;
- security measures;
- improved access or facilities for disabled people;
- new products and services.

2.10. An evaluation of the Welsh Assembly Government's PODevF was carried out by the Social Justice Research and Information Unit in 2006. This showed that the PODevF supported a total of 106 post offices (64 in urban areas, 42 in rural areas as defined by PODevF terms) awarding an average grant of £40,000 to £50,000. The impacts of the PODevF identified by the evaluation are summarised in Table 2.1.

⁴ Determined by the Welsh Index of Multiple Deprivation 2000, access to services domain.

Table 2-1: Impact of the PODevF on post offices and the community and economy more widely

Post offices	Community and the economy
<ul style="list-style-type: none"> • Kept open eight post offices and associated businesses that would otherwise have closed, with the possibility of a further 28 unsure as to whether or not they would still be operating in the absence of the Fund. • Funded 83 projects of significant size. • Increased the commercial viability of almost all post office businesses supported. • Increased the likelihood of raising retail income and customer numbers particularly for those using the fund to carry out structural and aesthetic improvements and security measures. • Levered in over £0.5 million of private investment. 	<ul style="list-style-type: none"> • Access to almost all post offices supported was improved. • Grant recipients consider their business more useful to the local community. • Increased opening hours. • Creation of approximately 80 new part-time jobs for deprived or isolated areas in Wales. • Introduction of internet/IT access to 10 recipient post offices. • Introduction of credit unions and debt advice services (services that need to be pump primed to begin but are necessary for the future). • Greater provision of locally sourced products. • Development of links with other local businesses and facilities. • Sense of confidence in the community.

Source: *Evaluation of the PODevF, Social Justice and Regeneration Research Unit, 2006*

The Post Office Diversification Fund

2.11. Following the closure of the PODevF, in 2007 the Welsh Assembly Government made the following commitment in the *One Wales* policy.⁵

“We will reinstate and refocus the Post Office Development Fund, exploring with local government colleagues, ways in which post offices might better be used for local authority, business and other local services and also encouraging the location of free ATMs in post offices.”

2.12. The £4.5million PODF was expected to operate from January 2009 through to March 2012.

2.13. To inform the design of the programme, the Welsh Assembly Government consulted with various stakeholders (such as Post Offices

⁵ WAG (2007) *One Wales: A progressive agenda for the government of Wales*.

Limited, the National Federation of Sub-Postmasters and the Royal Mail Group in Wales) on the issues faced by sub-post offices, and the type of support that would be most effective. However, primary research was not undertaken with SPMs to assess their needs. It was felt that evidence for the need for such a programme was already well established and well documented from the previous funding programme and other research on the social benefits of post offices. This was further supported by the BIS White Paper on post offices, which noted that Post Office Ltd continued to be loss-making and the number of branches was falling across the UK⁶.

2.14. The rationale for the PODF was therefore similar to that for the previous fund - to halt the trend of post office closures especially in isolated and deprived communities where the existence of a post office was seen as necessary to sustain communities. Many post offices were not financially viable if only reliant on the revenues received from the Post Office Ltd for the services they provided, especially in some rural areas where footfall was not very high. It was therefore thought appropriate to encourage SPMs to diversify into other non-post office areas of business or to improve these businesses so that they could benefit from additional revenue streams⁷.

2.15. The rationale for intervention was also supported by external stakeholders consulted as part of this evaluation, who emphasised issues around the decline in core post office business (such as the loss of the DVLA contract, TV licences, and DWP benefits being paid directly into bank accounts), trends towards online access of services (for some groups), the need to ensure community sustainability and restore confidence amongst SPMs after the 2007 post office closure programme. As a result, diversifying post offices' incomes, especially from non-PO activities, was crucial.

2.16. The decision was also taken not to spatially target the PODF, making all sub-post offices across Wales eligible for the grant. The view within the

⁶ BIS (2010) *Securing the Post Office Network in the Digital Age*.

⁷ England had its own fund concentrating on preventing the closure of urban post offices, and the particular challenges that were faced by Wales, with a high number of rural post offices, meant that it was appropriate to set up a separate fund.

Welsh Government was that “the sustainability of the post office network depends on full geographical coverage”⁸. In addition, the evaluation of the PODeV argued that a community being isolated does not necessarily mean it is deprived and a geographical-based eligibility criteria risked ruling out some post offices that were part of the fabric of communities but were at risk of closure.⁹ Instead, it recommended that each application was judged on a case-by-case basis. SQW agrees that assessing applications on the basis of need (rather than geographical location) was appropriate.

2.17. Market and other failures were not explicitly identified in the documentation made available to us. Based on SQW’s understanding of the PODF and expertise in market and other failures, it appears that these were primarily:

- Access to finance – a lack of finance to invest in improvements or diversification.
- Information failures – SPMs were not always aware of the opportunities for diversification, or how best to improve the economic viability and sustainability of their business.
- Positive externalities – ensuring that post office functions were sustainable brought about social benefits for local communities.

2.18. The rationale for the PODF, the market or other failures that the intervention was intended to address, and supporting evidence to demonstrate need and provide a baseline position for 2009 were not articulated in a single document. Intervention may well have been needed to address the challenges faced by SPMs, but it would have been helpful to have articulated this clearly as part of the process of justifying and agreeing the content of the programme. One consequence of this gap is that there is no assessment of where and how resources should be used to meet specific needs. Given limited resources, we would suggest that the Fund should have

⁸ WAG (2011) *Research Specification for an Evaluation of the Welsh Assembly Government’s PODF*.

⁹ WAG (2006) *Evaluation of the Post Office Development Fund*.

been targeted more effectively on the basis of need (i.e. where need of the post office itself, and also the wider community, was greatest and it could have most impact), identifying where SPMs were least likely to diversify and invest themselves. This would have helped to ensure that the Fund delivered maximum *net* return on investment (i.e. outcomes that would not have happened otherwise).

Strategic aims and objectives

2.19. Strategically, the Fund was well aligned with the One Wales agreement (the key Government document at the time PODF was established, which has now been replaced by the Programme for Government 2011-16), and a number of wider policies, such as the building sustainable communities section in the Wales Spatial Plan.¹⁰

Table 2-2: Strategic Alignment

One Wales: A Progressive Agreement for Government (2007)	<ul style="list-style-type: none"> • Takes an all-Wales approach to economic development, which is reflected in the expansion of eligible areas for the PODF. • Contains a commitment to reinstate and refocus the Post Office Development Fund. • Commitments include promoting skills, supporting the Welsh language, tackling child poverty, regenerating communities and creating jobs, all objectives of the PODF.
Wales Spatial Plan (2008)	<ul style="list-style-type: none"> • Building sustainable communities is a key commitment of the Spatial Plan, especially because much of rural Wales is sparsely populated, as well as tackling deprivation. • Helping to keep post offices open aligns well with another commitment, that the Welsh Government will develop access to services.
Taking Everyone into Account: Financial Inclusion Strategy for Wales (2009)	<ul style="list-style-type: none"> • Strategy aimed at increasing access to mainstream financial services, as these have obvious benefits for those on low incomes. • The strategy notes that post offices can also play an important part in tackling financial inclusion.

Source: SQW analysis

¹⁰ WAG (2008) *People, Places, Futures: The Wales Spatial Plan 2008 Update*.

2.20. Although management staff at the Welsh Government have a clear understanding of the Fund's aims and objectives, we found little documentation that clearly set out what the Fund intended to achieve. The main source of evidence on aims and objectives is the assessment criteria, against which bids were considered. This states that the Fund should deliver against the following 'primary criteria'¹¹:

- **Diversification - introducing new retail business activities** (only if the new business will not be in competition with other local businesses).
- **Improving the sustainability of the non-post office business.**
- **Providing a distinct economic or social purpose to the community** – this includes the provision of additional or vital services to the local community e.g. protecting the only retailer in the area or the community's access to cash.
- **Providing a clear benefit to disadvantaged groups.**

2.21. Other 'secondary criteria', which were to be taken into account where relevant, are summarised below.

Figure 2-2: Secondary criteria

- | |
|--|
| <ul style="list-style-type: none"> • Community circumstances e.g. deprived/rural/Communities First. • Supporting the reduction of poverty (including child poverty), financial exclusion, inequality, discrimination or social disadvantage. • Improving the built or natural environment of the local area, including the appearance of the post office. • Improving the well-being of the community e.g. hosting a food co-operative or selling locally sourced fresh fruit and vegetables. • Encouraging training for local people. • Assisting with the promotion of job opportunities and increased income. • Stimulating community business and social enterprise. • Strengthening the cultural and linguistic identity of the community. • Strengthening community safety issues for the community. • Providing a lasting benefit to the community. |
|--|

Source: Welsh Government (2010) *Application and guidance notes for funding from the PODF for Wales*

¹¹ WAG (2011) *Research Specification for an Evaluation of the Welsh Assembly Government's PODF.*

2.22. Overall, these objectives appear to be relevant to the issues and challenges set out above, especially in terms of improving the sustainability and range of non-post office business and encouraging diversification. However, the primary and secondary criteria are very broad and we believe there would have been benefit in more focus, either through setting out a single specific headline objective, or prioritising the list. Without this, there is a risk that the Fund is spread too thinly across multiple aims, and there is confusion as to where it is best used. Some of the criteria also lack clarity – for example, what specific benefits does the Fund want to deliver for disadvantaged groups? Are these confined to improvements to physical access, or wider?

2.23. When the objectives are assessed against standard measures for programme design, they are not time-bound, quantified or measurable. Crucially, there is a lack of a baseline, which sets out the contextual position in 2009 when the programme began (e.g. the number of sub-post offices, the average turnover and profitability of sub-post offices and non-post office business etc). It therefore proved difficult to measure progress over the lifetime of the Fund, or assess whether the objectives are being achieved.

Activities and delivery

2.24. Following the One Wales commitment to “reinstate and refocus the Post Office Development Fund”, the only options considered at the outset to achieve the aims of diversification and improve business viability were different types of grant assistance (rather than considering a wider range of approaches that could be adopted to encourage post offices to diversify/improve). The Welsh Government undertook an extensive consultation exercise with key stakeholders on what type of fund this should be. The Welsh Government also considered tendering for external delivery of the Fund, but it was considered most cost effective to deliver the Fund in-house.

2.25. Grants were offered through five bidding rounds to all sub post offices in Wales, which could fund two types of activity:

- Structural improvements, including cosmetic/aesthetic improvements to counters and signage and repairs that would not otherwise be funded by Post Office Limited.
- Diversification and/or improvements to the retail business attached to the post office, including modernising the associated retail business, providing ICT facilities and essential equipment, improving and expanding the sales areas.

2.26. In the early rounds, the PODF offered capital and revenue grants; the latter were not previously available under the PODevF, but revenue funding was considered an important aspect of the diversification process. The scale of grants was reduced from an upper limit of £50,000 in the PODevF to £20,000 in the PODF, largely as a result of advice from stakeholders who were consulted during the development of the PODF (such as Post Office Limited and the Royal Mail Group) which felt that smaller grants could be as effective if targeted appropriately. Three types of grant were offered under the PODF:

- Capital grants up to £5,000 – for cosmetic improvements such as improved counters or signage.
- Capital grants up to £20,000 – for improving and diversifying retail businesses attached to the post office, including improving access, provision of ICT facilities and other essential equipment, and the installation of lighting, alarms or CCTV.
- Revenue grants up to £15,000 – for business and marketing advice, advertising new services, training courses or ‘pump priming’ new diversification costs (funding new staff posts or extra hours for a short period until the new business could get off the ground). The revenue grant could also be used as a rates relief transfer fund, giving a first year of transitional relief to businesses.

2.27. SPMs could apply for a grant through the completion of an application form, which requested information on:

- Evidence on community needs, sourced through consultation with the community (for larger scale grants only, and this information was not scored by the Welsh Government).
- The amount of funding required, and details of the proposed project (use of funding, cost estimates, timescales for completion, other financial contributions, project management).
- How the grant would make the business more sustainable, and whether jobs would be created/safeguarded.
- How the project would benefit the local community, including disadvantaged groups.

2.28. While the principle of awarding funding has not changed over the course of the programme, it was decided that revenue grants would no longer be offered after the first three bidding rounds owing to difficulties in spending revenue funding.

2.29. A best practice guide to help diversification was published part way through the programme, which included examples of what had already been done with the grants¹². It was designed to help SPMs write their applications for PODF grants, as well as providing ideas for diversification. Table 2-3 lists some of the recommendations for good practice contained in the guidance.

Table 2-3: Recommendations to SPMs made by Consumer Focus Wales

Consulting with the local community	<ul style="list-style-type: none"> ● This is important to ensure that the community buys into the proposed changes: this may lead to new customers if the SPM gets in touch with people that do not tend to use the post office services. ● Choose methods for consulting carefully, for example, giving out leaflets at key places in your community or by reaching disadvantaged groups through a trusted intermediary. ● Provide regular updates to community members. ● Keep notes so that you can build up evidence for the application.
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¹² Consumer Focus Wales (2010) *Post Office diversification: A good practice guide for sub-postmasters*.

<p>Practical considerations</p>	<ul style="list-style-type: none"> • Liaise with Post Office Limited if the changes involve structural changes to the post office premises or involve providing services that could be or may be in future offered through Post Office Ltd. • Contact the National Federation of Sub Postmasters who can advise further. • Ensure that you have all the appropriate paperwork/consents in order to proceed (planning consent, purchase of land etc).
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Source: *Consumer Focus Wales (2010)*

Performance measures for outputs, outcomes and impacts

2.30. The PODF did not have a set number of beneficiaries that it intended to reach or any other targets, nor were key performance indicators (KPIs) set up in order to help judge performance at a later date. This reflects the lack of clear and SMART¹³ objectives for the Fund, which KPIs would usually flow from. Any future Fund should establish KPIs, and quantify these where possible, in terms of:

- Outputs - for example, the number of beneficiaries in target groups that have received the grant, which would ensure the Fund is targeted effectively towards those in greatest need.
- Outcomes - for example, tracking the change in financial performance of a sub-post office and the associated retail business, or tracking the number of beneficiaries who have successfully diversified.

2.31. It is also necessary to assess 'condition indicators', such as the number of sub-post offices, and their economic performance (e.g. economic viability/turnover) at a national level, to understand whether the Fund is having the desired impacts to the sector as a whole.

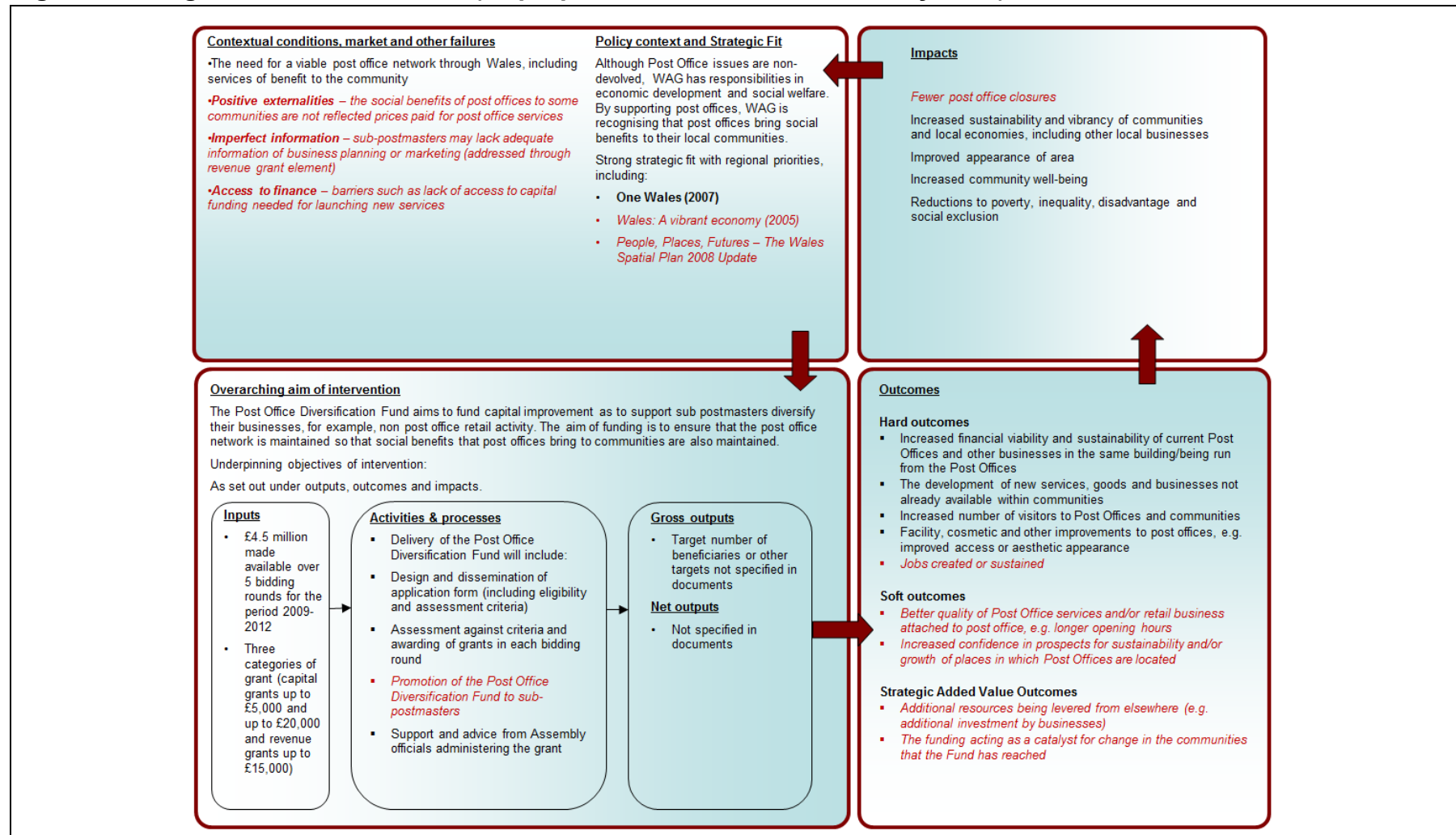
Summary logic chain

¹³ Specific, measurable, achievable, relevant and timebound

2.32. Figure 2-3 shows a logic chain for the programme as we believe it was intended to operate at the outset. Text in black represents information taken from PODF documentation¹⁴; text in italics/maroon represents SQW's interpretation of elements of the logic chain to fill gaps in the documentation. In the subsequent Sections, we assess whether the Fund has been delivered as planned, and has achieved the intended outcomes and impacts.

¹⁴ Based on WAG (2011) *Research Specification for an Evaluation of the Welsh Assembly Government's PODF* (Annex A: Eligible Activities) and WAG (2008) *A refocused Post Office Development Fund: Consultation Document*.

Figure 2-3: Logic Chain for the PODF (as proposed in the outset in January 2009)



Source: SQW

Programme Overview - Key Messages

Programme design

- There is a lack of a programme baseline for 2009, setting out primary and/or secondary evidence to demonstrate the types and scale of problems that the Fund set out to address, against which progress could be measured.
- The current aims and objectives are expressed in the form of criteria for the grant award process, and are not particularly SMART. Measurability is a key issue. It would have been helpful for the Fund to have an agreed statement of aims and objectives, and what the Fund intended to deliver (in terms of activities) and achieve (in terms of outcomes and impacts, quantified where possible).
 - The Fund should have an overarching objective (linked to the intended impact), underpinned by more detailed aims (relating directly to the proposed outcomes).
 - The Fund should also have clearly set out key performance indicators for outputs and outcomes, and appropriate mechanisms in place to monitor these.
- The types of activities that the Fund could support appear to focus on structural improvements to businesses (to address the first main aim of the programme - improving business viability), rather than the second main aim of the Fund (diversification).
- The programme is well aligned with wider strategic priorities, particularly those of One Wales.

3. Management and Delivery of Activities to Date

3.1. In this section, we review management of the PODF and delivery processes, drawing upon feedback from management staff at the Welsh Government, grant beneficiaries and external stakeholders. We also provide a summary of activities delivered to date, including the number and profile of grants awarded over the lifetime of the Fund.

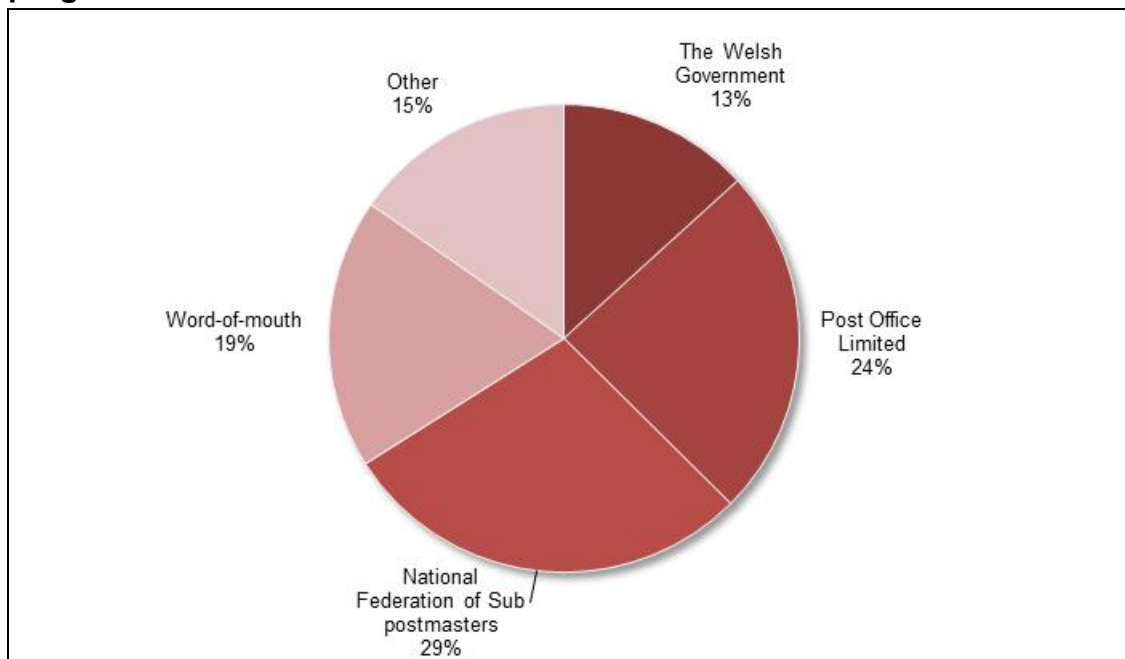
Management and delivery

Management and delivery arrangements

3.2. The PODF has been managed by a small team within the Communities Division of the Welsh Government.

3.3. In order to promote the Fund, the Welsh Government wrote to all SPMs, featured articles in Postmaster Magazine, promoted the Fund on the Welsh Government's website and asked representatives from Post Office Limited and the National Federation of Sub-Postmasters to promote the Fund during their regular contact with SPMs. Encouraging partners (such as Post Office Ltd and the National Federation of Sub-Postmasters) to promote the PODF appears to have been very effective mechanisms to generate up-take of the Fund as illustrated in Figure 3-1. Word-of-mouth has also been useful in raising awareness of the programme, alongside information provided by the Welsh Government (e.g. magazine adverts). None of the SPMs surveyed were referred from another support programme, which suggests perhaps more could be done to encourage signposting between relevant business support programmes (delivered by the Welsh Government or others).

Figure 3-1: How respondents originally found out about the grant programme



Source: SQW analysis of beneficiary survey. n=144

3.4. The **performance monitoring process** has involved regularly tracking spend/invoices, and whether beneficiaries have spent their grants as proposed in their application form. All beneficiaries are required to provide a progress report, alongside their claim form, which outlines progress made in implementing the proposed activities. The Welsh Government has undertaken validation visits for around 5-10% of grants, and there has also been regular telephone contact with other beneficiaries. Some visits are also made to beneficiaries after completion of their project (e.g. opening events) on an ad hoc basis.

3.5. However, arguably, the monitoring mechanism currently in place focuses on the delivery of *activities*, and does not show whether the Fund is delivering against its objectives. Ideally, evidence on outcomes and impacts should also have been monitored, after the grant was spent. As noted in Section 2, applicants set out what outcomes they expected their grant to deliver (e.g. in terms of jobs created, benefits to business viability and the community) in their application, but they were not subsequently required to provide evidence on whether this had been achieved. We acknowledge that the Welsh

Government wanted to ensure the application process was as simple as possible, and envisaged an evaluation of the programme, but without interim evidence on whether the spend/activities were generating the desired results after each round of funding, there was no basis for reshaping the spend over the course of the programme in order to maximise benefits.

3.6. Ideally, both outputs and outcomes should be monitored throughout the lifetime of the Fund. The need for better monitoring systems was also supported by some beneficiaries themselves – for example, in one of the case studies, the SPM suggested that grants should only be awarded to those with a strong evidence-based business plan, with monitoring criteria attached to justify the grant received. This suggests that at least some of the beneficiaries see the value of monitoring, and would not find this requirement unreasonably burdensome.

Risks and barriers to delivery

3.7. Consultations with management staff suggested that the quality of applications was mixed: many were ‘copycats’ of one another and there was little evidence of creativity and innovation. This was particularly the case where SPMs focused predominantly on the post office functions (rather than retail) and operated as a traditional service provider (rather than a profit-oriented business). Over time, the application forms were improved to increase guidance on the information required from SPMs and the types of activities that the fund was aimed at. In future, there may be a need for more capacity building to help SPMs to develop business diversification ideas and develop robust business plans, and possibly the continued need for complementary revenue support to assist SPMs to develop their ideas for diversification (or better joining up with other programmes that provide such support).

3.8. As noted above, it proved difficult to get SPMs to take up the revenue side of the Fund, partly because applicants were not sure how to use the revenue funding and because it was difficult to demonstrate that activities using revenue Funds were truly additional. This meant that there was more

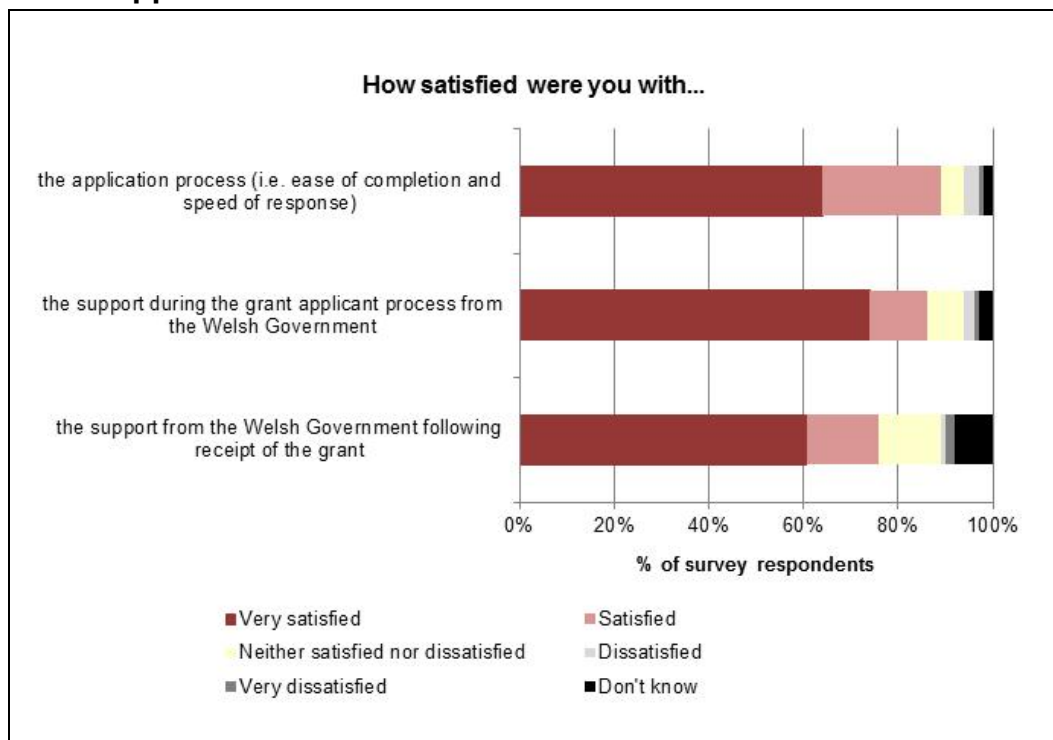
of a focus on capital grants, and therefore capital improvements, rather than revenue funded diversification activities such as business and marketing advice, advertising new services, training courses or ‘pump priming’ new diversification costs. We do not conclude from this that the revenue element was not needed, but that clear communications on its scope and potential use is essential.

Feedback from sub-pos masters on management and delivery

3.9. Beneficiaries demonstrated a high level of satisfaction with the application process, including support from the Welsh Government (before and after receipt of the grant). As demonstrated in Figure 3-2:

- 89% of survey respondents were satisfied or very satisfied with application process (i.e. ease of completion and speed of response).
- 86% were satisfied or very satisfied with support during the grant applicant process from the Welsh Government.
- 75% were satisfied or very satisfied with support from the Welsh Government following receipt of the grant.

Figure 3-2: Degree of satisfaction with the application process and support from the Welsh Government



Source: SQW analysis of beneficiary survey. n=144

3.10. However, the grant application process could be improved in future by:

- Publicising the grant more (as survey respondents felt that many SPMs did not know about it).
- Providing guidance on where SPMs could get support and advice to help complete the application.
- Providing more detailed information on the revenue grant.
- Speeding up the time between applying and finding out about the grant award.
- Longer timescales for applying (to develop ideas for diversification).

3.11. Feedback from unsuccessful applicants was, unsurprisingly, less positive, as they had hoped to receive a grant (see Annex B for more details). Some did acknowledge that their intended use of the Fund did not meet the PODF criteria, or that they had failed to provide enough information in the application form. The main lesson to learn from the process is to ensure that all unsuccessful applicants receive feedback and fully understand the decision, even if they don't agree with it.

Synergies/duplication and integration with other support

3.12. Of the beneficiaries surveyed, 10% of post offices received other support at the same time as, or linked to, receiving the Diversification grant. Of these, half gained additional funding (e.g. from a local authority, the Welsh Government or the Big Lottery Fund), with the other half receiving business advice.

3.13. None of the survey respondents thought that they could have found similar public or private sector support to the PODF elsewhere¹⁵, suggesting the Fund was plugging a gap in support, or at very least in perceptions of support available. External stakeholders agreed that PODF filled a gap, although there was some concern about the risk of duplication with other programmes aimed at skills training and marketing, support for business

¹⁵ None considered banks.

planning, rural retail diversification schemes, and capital grants for rural businesses provided by local authorities.

3.14. Consultations with external stakeholders suggest that referrals to the PODF do take place, especially by Post Office Limited, the National Federation of Sub-Postmasters and (to a lesser extent) the Royal Mail Group. The Fund has also linked up well with the Business Rate Relief Initiative.

Good practice and lessons learned

3.15. Overall, critical success factors in delivering PODF have included the following:

- Use of existing networks to raise awareness of the Fund amongst target audiences.
- The prompt processing of invoice claims.
- Easy access to project managers at the Welsh Government for advice.
- Where SPMs had past retail experience, they were found to be more willing to diversify into different commercial activities.
- Where SPMs had identified what communities needed, and where proposals were backed by community support.
- Where SPMs already had a mix of post office and retail offerings, and where they were more focused on their retail activities, they tended to be more market-oriented and innovative in their approach.
- Sufficient flexibility within the Fund to be able to respond to changing needs.
- Having an experienced management team, both in terms of capital grants and policy issues relating to post offices.

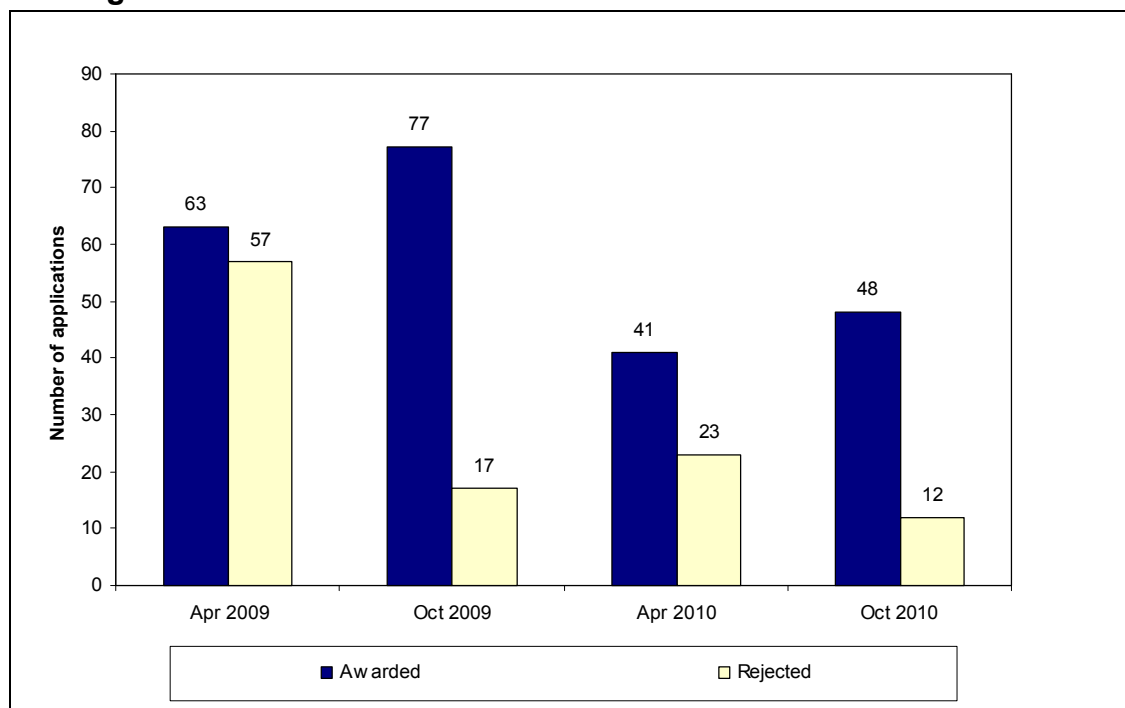
Beneficiary and grant profiles

3.16. Between January 2009 and October 2010 (Rounds 1 to 4 of the Fund), 338 applications were made to the PODF. A total of 229 grants were

awarded, equating to 217 individual post office beneficiaries¹⁶. Some 23 post offices that benefited from grants under the Post Office Development Fund were also awarded funding under PODF. The 109 applications which were refused in these four bidding rounds equated to 99 individual applicants.

3.17. A total of £4.03million was allocated during Rounds 1 to 4. Figure 3-3 shows the number of grants awarded in each round of bidding along with the refusals. At the time of writing, a further round of successful applications had been announced (a total of £849,658 will be given to 87 post offices across Wales), but data on these was not available to include in the analysis.

Figure 3-3: Number of applications awarded and rejected in each bidding round



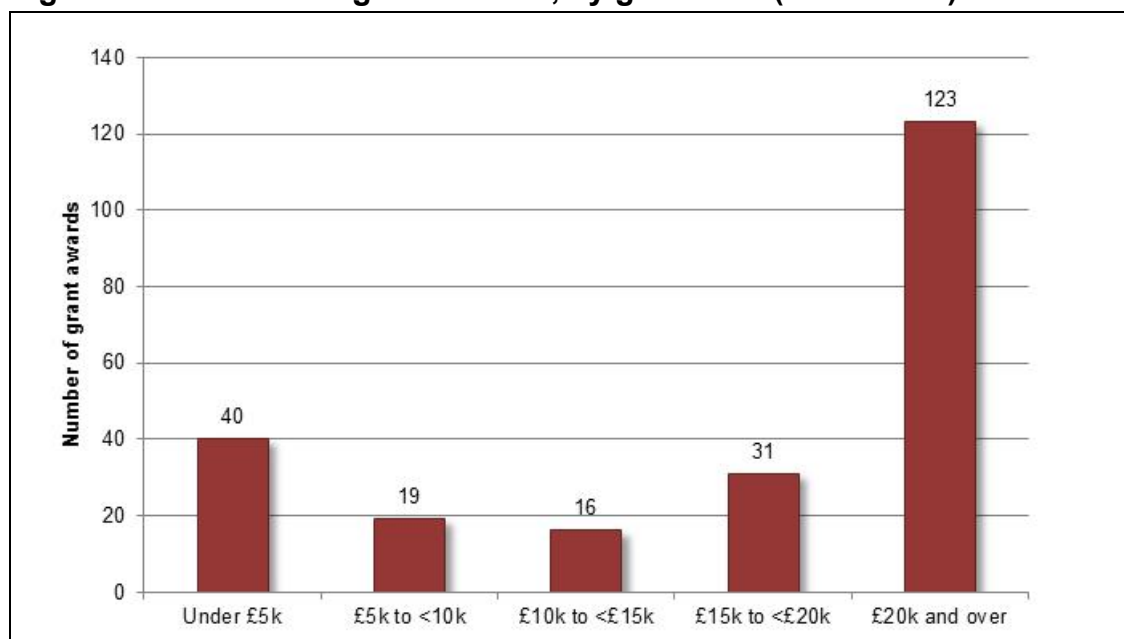
Source: SQW analysis of WG data

3.18. The success rate of the applications rose considerably from 53% in the first round to 82% in the second round (the success rates of the other two rounds for April and October 2010 were 64% and 80% respectively).

¹⁶ Ten post offices benefited from 2+ separate grants.

3.19. Across the programme as a whole, just over half of grants awarded (54%) were £20,000+ (this includes capital and revenue grants), with 29% receiving £5,000-£19,000, and the remaining 17% receiving less than £5,000, as illustrated below.

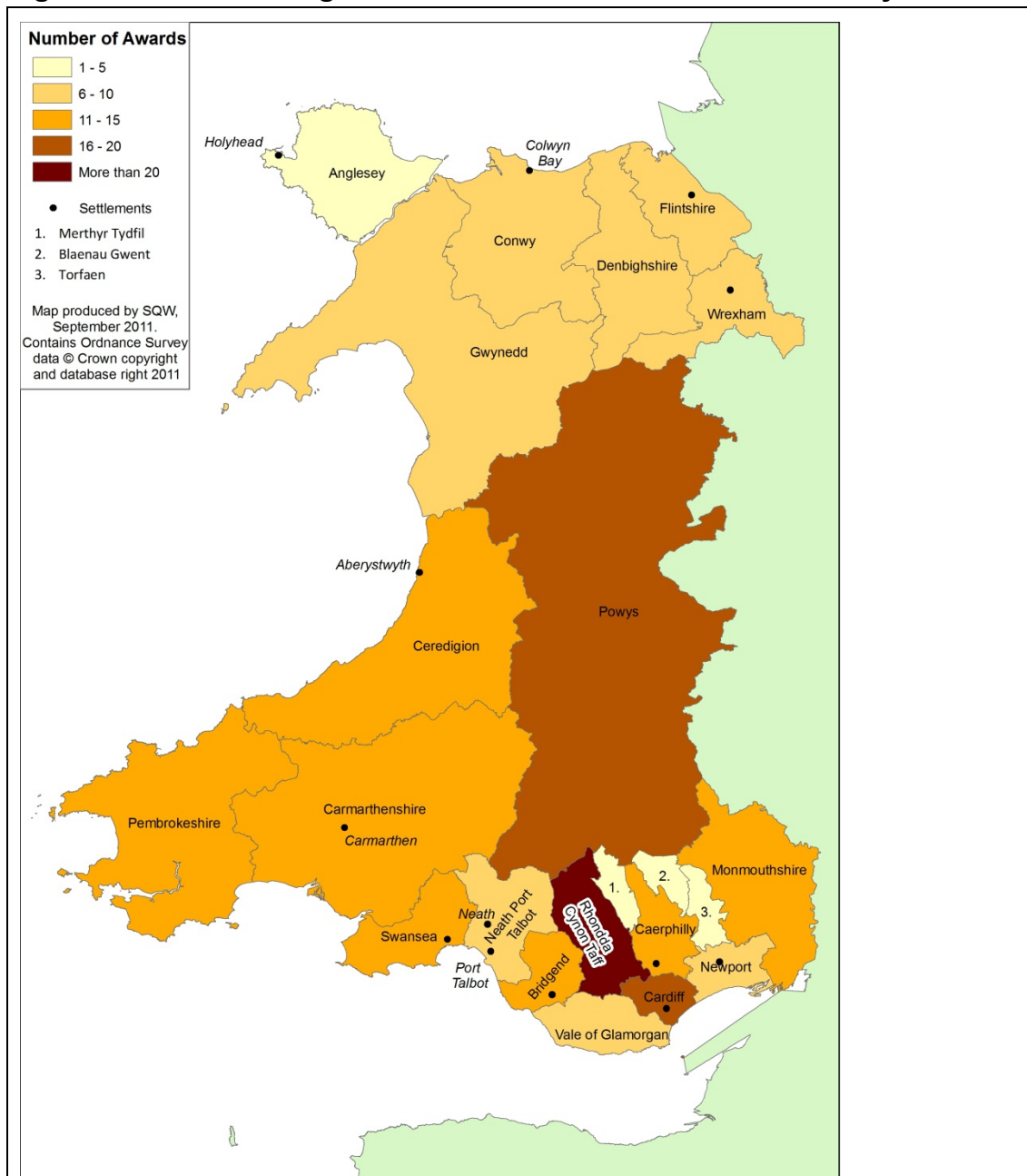
Figure 3-4: Number of grant awards, by grant size (rounds 1-4)



Source: SQW analysis of WG data

3.20. The map below shows the number of grant awards made in each local authority district. On average, 10 post offices in each local authority district have been awarded with funding through the PODF, although the actual number varies quite markedly between each authority. For example, 27 post offices in Rhondda Cynon Taf received funding compared to only three in Anglesey, which may be explained in part at least by their respective populations and the number of post offices in each district.

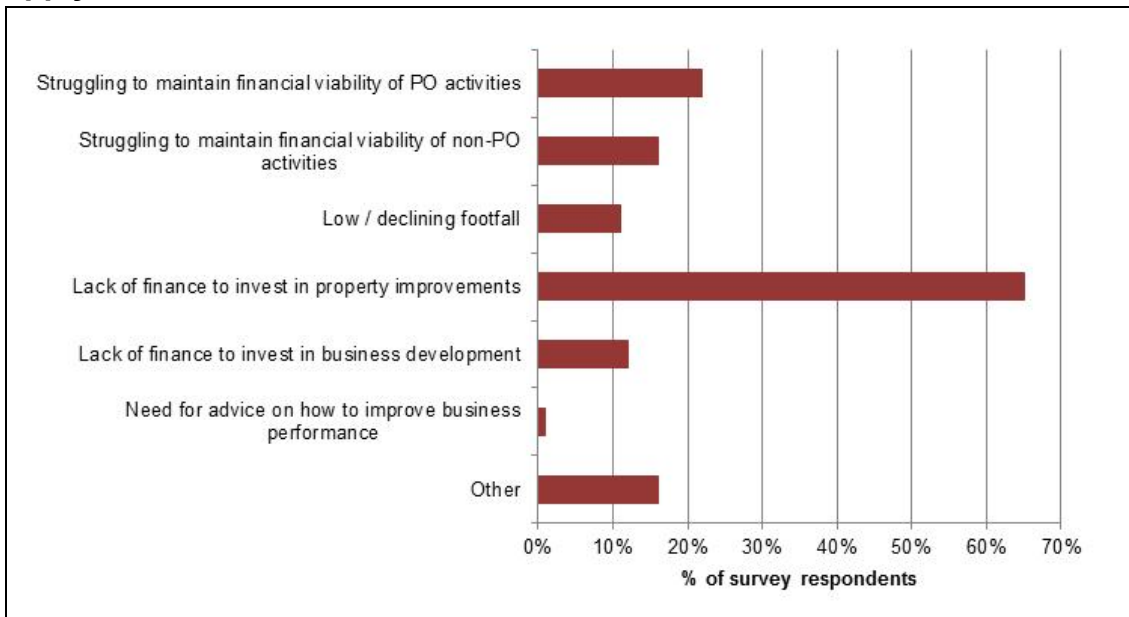
Figure 3-5: Number of grant awards made in each local authority district



Source: SQW analysis of WG data

3.21. The survey with grant beneficiaries found that the overwhelming **issue or challenge which led to the grant application** was a lack of resources to invest in property improvements, as shown in Figure 3-6. This aligns well with the original rationale for intervention, and shows that lack of finance was a key market failure for many post offices, acting as a barrier to diversification and business improvements.

Figure 3-6: Issues and challenges faced that prompted beneficiaries to apply



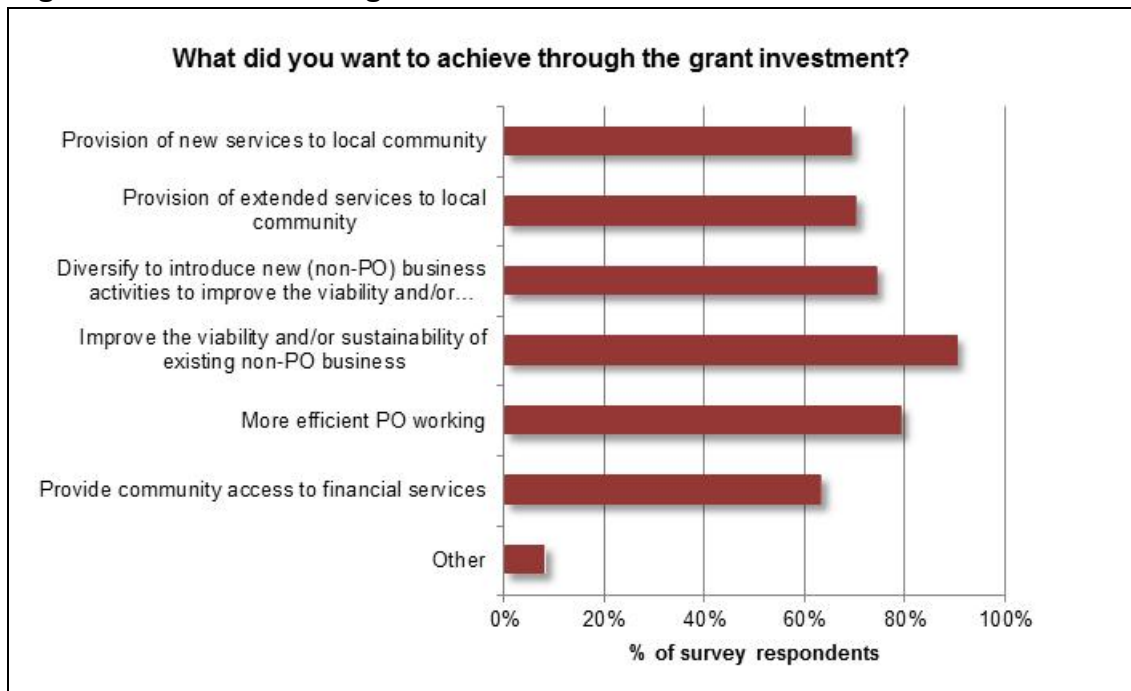
Source: SQW analysis of beneficiary survey. Respondents were able to provide multiple answers. n=144

3.22. When asked **what survey respondents wanted to achieve**, most beneficiaries identified a number of different aims or objectives. Beneficiaries overwhelmingly wanted to improve the viability and/or sustainability of existing non-PO business (90% of respondents), followed by more efficient post office working (79%). Other reasons, each mentioned by over 60% of respondents, were to:

- provide new services to the local community;
- provide extended services to the local community;
- diversify to introduce new (non-PO) business activities to improve the viability and/or sustainability of the PO activities;
- provide community access to financial services.

3.23. On the whole, the beneficiaries' aims were reasonably well aligned with those of the Fund overall, especially in terms of improving the viability of existing non-PO businesses. However, there was slightly less focus on the diversification element of the Fund.

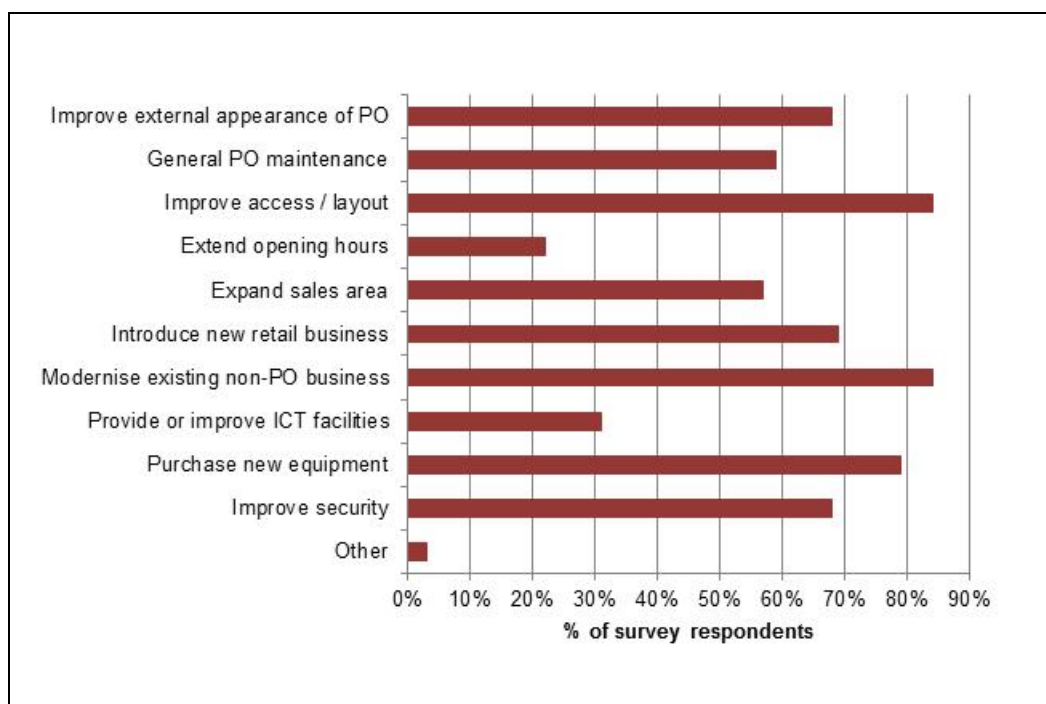
Figure 3-7: Aims of the grant investment



Source: SQW analysis of beneficiary survey. Respondents were able to provide multiple answers. n=144

3.24. Overall, most survey respondents (94%) thought that **the PODF was well matched to their specific needs**. A high share of respondents utilised the grant to improve access and layout, modernise the existing non-PO businesses and purchase new equipment (see Figure 3-8). There are some uses that are arguably less well aligned with the purpose of the Fund, such as general post office maintenance, but on the whole the Fund was used for improvements (to a large extent) and diversification (to a lesser extent) of non-PO businesses.

Figure 3-8: Uses of the grant funding



Source: SQW analysis of beneficiary survey. Respondents were able to give multiple responses. n=144

3.25. Almost three-quarters (72%) of beneficiaries surveyed also personally **contributed financially towards the cost of diversification**. The total sum contributed by the responding beneficiaries themselves amounted to just over £1.5million, compared to an investment by the Welsh Government of £2.5million to these beneficiaries (representing 62% of all money spent on diversification and improvements). The average contribution for those that used their own money was £16,700 per project.

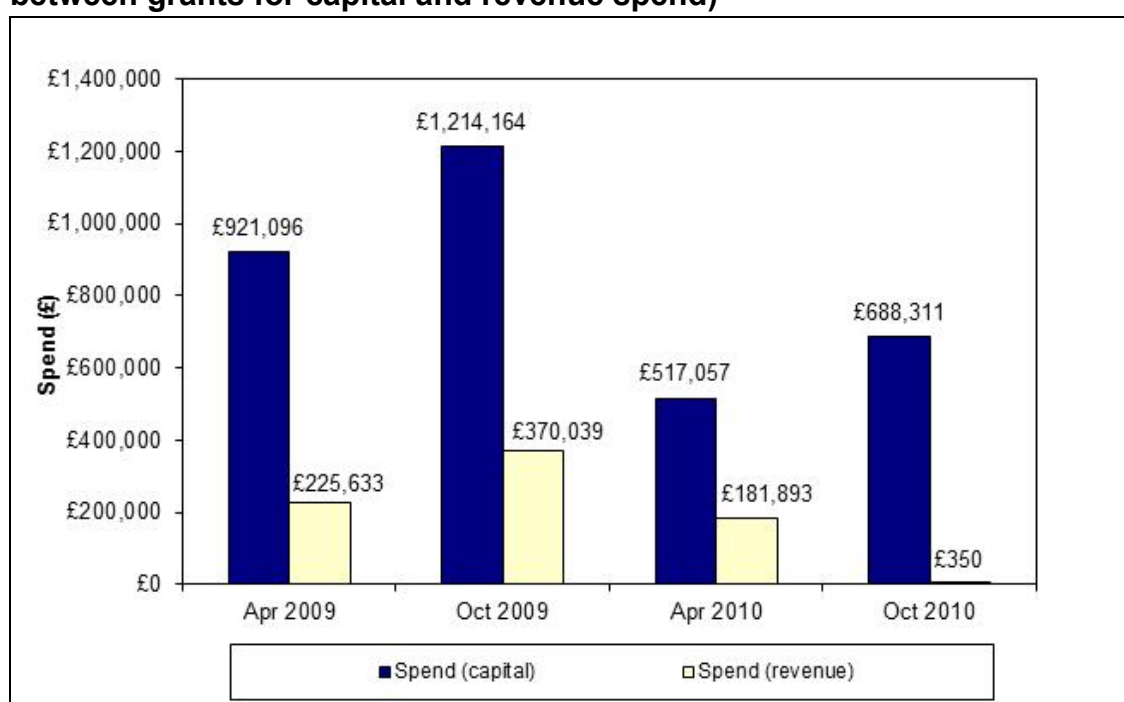
Spend profile

3.26. In total, £4.03million has been spent on the Fund in Rounds 1 to 4 (with a further £850,000 spent in the fifth round of grants in July 2011), which represents an overspend of £411,000 compared to the £4.5million initially allocated by the Welsh Government. As other programmes managed by the Communities Division at the Welsh Government had underspent, and there was considerable unsatisfied demand for the PODF, it was possible to draw in additional capital funds into the PODF. This spend figure does not include costs of administering the grant by WAG, which was £63,000 per annum.

Total management costs account for around 4% of all costs (grants and management) between Rounds 1 and 5.

3.27. Figure 3-9 shows the total amount of grant funding awarded in each round of bidding. The spend pattern mirrors the size of the average grant size over time, with the highest average grant of about £20,500¹⁷ in October 2009 and the lowest of about £14,300 in October 2010.

Figure 3-9: Spend profile for the first four bidding rounds (divided between grants for capital and revenue spend)



Source: SQW analysis of WG data.

Outputs

3.28. As noted in Section 2, the Fund did not have any pre-defined output measures. Therefore data on outputs is not available to analyse here.

¹⁷ These figures are higher than the £20,000 ceiling because a number of SPMs received both capital and revenue funding at the same time.

Management and Delivery of Activities - Key Messages

Programme management and delivery

- Using existing networks who have direct contact with the target audience, and magazines with high readership, appear to have been very effective mechanisms to promote the Fund.
- Performance monitoring has involved regularly tracking spend/invoices (i.e. activities) but has failed to monitor outcomes and impacts.
- The (deliberately simple) application forms and a failure to utilise revenue funding have led to a lack of innovation and creativity. Capacity building to help SPMs to develop diversification ideas and robust business plans should be an explicit aim of any future initiative.
- Beneficiaries were highly satisfied with the application process and support from the Welsh Government before and after receipt of the grant.
- The PODF fills a genuine gap in the market for support specifically for post offices, although some concern was expressed about duplication with other programmes aimed at skills training and marketing, support for business planning, rural retail diversification schemes, and capital grants for rural businesses provided by Local Authorities.

Beneficiary and spend profiles

- Between January 2009 and October 2010 (Rounds 1 to 4 of the Fund), 229 grants were awarded, amounting to a total spend of £4.03million.
- Just over half of grants awarded were £20,000 or above, with 29% receiving between £5,000 and £19,000, and the remaining 17% receiving less than £5,000.
- PODF was well matched to recipients' specific needs.
- Activities have tended to focus on improving non-PO businesses more than diversification into new areas.
- Almost three quarters of beneficiaries surveyed also contributed financially towards the cost of diversification, amounting to just over £1.5 million in Rounds 1 to 4.

4. Outcomes and Impacts

4.1. In this section, we present evidence on the outcomes and impacts achieved by the PODF. This is based on the results of the survey with beneficiaries, consultations with management staff and external stakeholders, and a small-scale survey with unsuccessful applicants and non-applicants. We then provide a qualitative assessment of additionality (i.e. the extent to which impacts are attributable to the Fund and would not have occurred anyway) and overall value for money.

Outcomes and impacts achieved to date

Outcomes for SPM beneficiaries

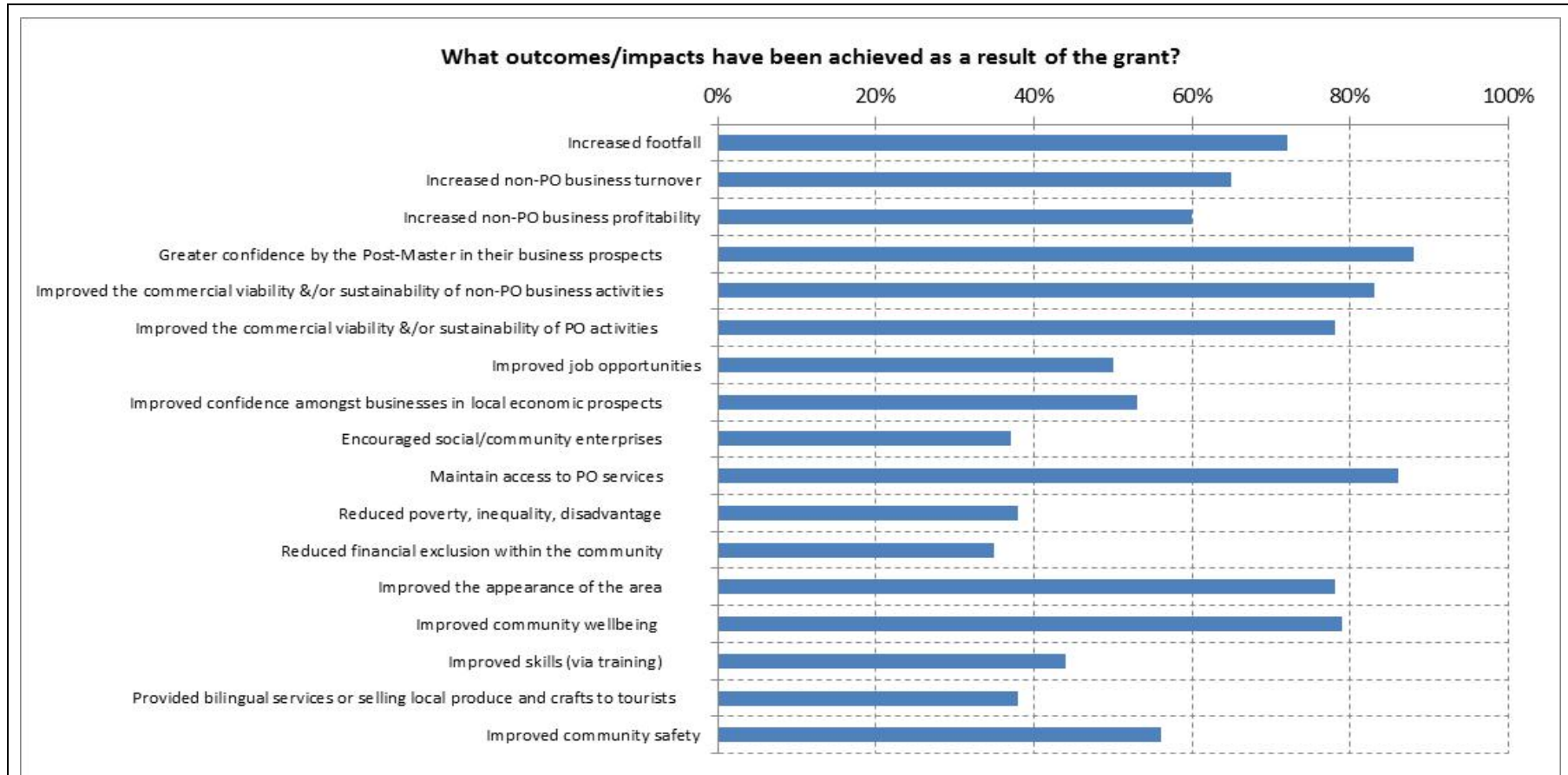
4.2. Figure 4-1 presents the responses to the question in the beneficiary survey, “*What outcomes/impacts have been achieved as a result of the grant?*” The results demonstrate the following impacts against the original aims of the Fund:

- 65% observed an increase in non-PO business turnover.
- 60% observed an increase in non-PO business profitability.
- 83% observed an improvement in the commercial viability and/or sustainability of non-PO business activities.
- 78% experienced an improvement in the commercial viability and/or sustainability of PO activities.

4.3. Because the survey reached a statistically significant sample of 144 beneficiaries in funding Rounds 1 to 4, we can be 95% confident that the impacts on the total population of beneficiaries are in line with the findings above ($\pm 5pp$). For example, we can be 95% confident that 60%-70% of all beneficiaries of the PODF experienced an increase in non-PO business turnover.

4.4. It is also important to note the qualitative benefits of the Fund for beneficiaries themselves. For example, 88% of respondents believed that the Fund gave them greater confidence in the prospects of their business. Assuming this confidence is well-placed, the intervention will have played an important part in maintaining the post office network, and in turn encouraged more confidence in local communities. Management staff also argued the Fund had helped to change the mindsets of some SPMs, encouraging them to be more open towards diversification opportunities in future.

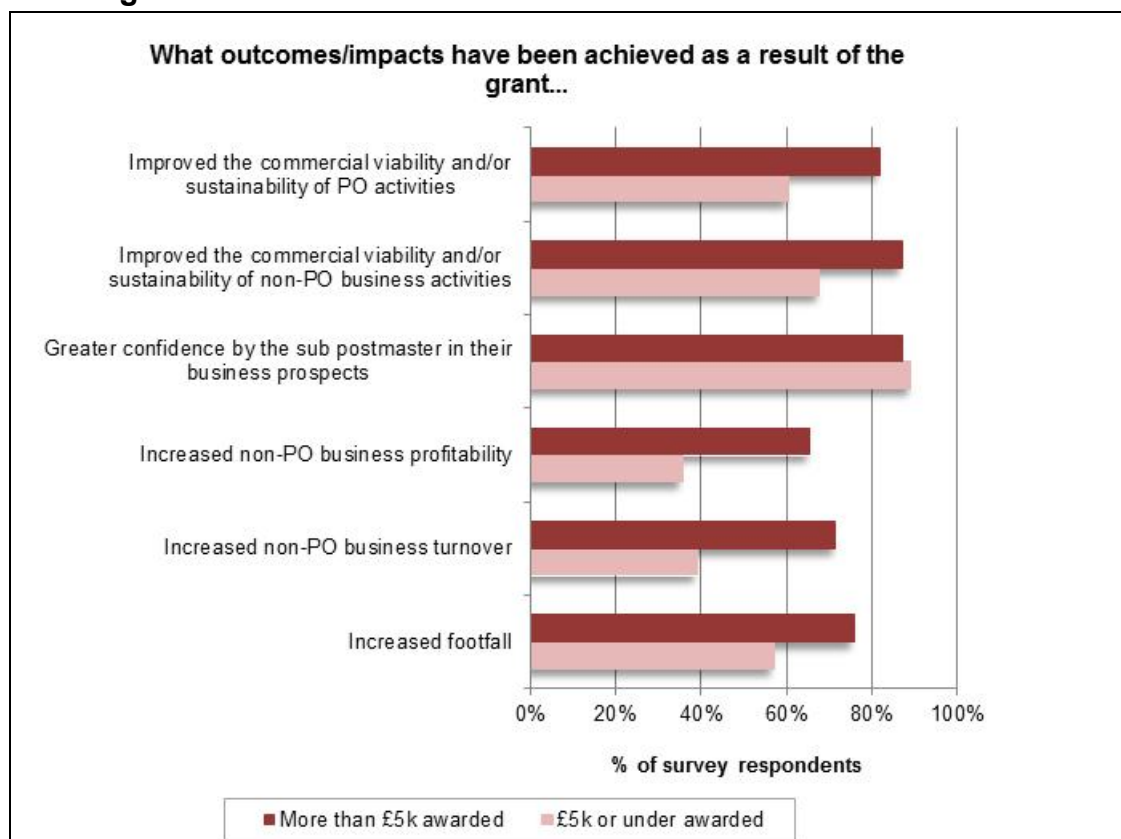
Figure 4-1: Beneficiary survey results – all outcomes and impacts achieved as a result of the grant



Source: SQW analysis based on beneficiary survey. Notes: the graph above shows what proportion of survey respondents achieved benefits in each area only (a non-response to the question indicates that the outcomes/impacts were not observed by the beneficiary). n=144

4.5. A higher proportion of beneficiaries of larger grants (over £5,000) reported positive impacts to their business performance compared to those awarded smaller grants (£5,000 or under), as shown in Figure 4-2. But “having greater confidence in business prospects” produced similar results for the two groups of respondents.

Figure 4-2: Survey results - outcomes and impacts on the business by size of grant



Source: SQW analysis of beneficiary survey. n=144

4.6. A small number of survey respondents were able to quantify the scale of impacts observed in terms of footfall¹⁸, non-PO business turnover¹⁹, profitability²⁰, and job opportunities²¹. For those that could quantify impacts (*NB these are small samples and cannot be taken as representative of all beneficiaries, and therefore cannot be inferred for the population as a whole*), the evidence suggests that non-PO businesses saw an average increase in

¹⁸ 14 could quantify in absolute terms, and 60 could quantify in percentage terms.

¹⁹ 20 could quantify in absolute terms, and 53 could quantify in percentage terms.

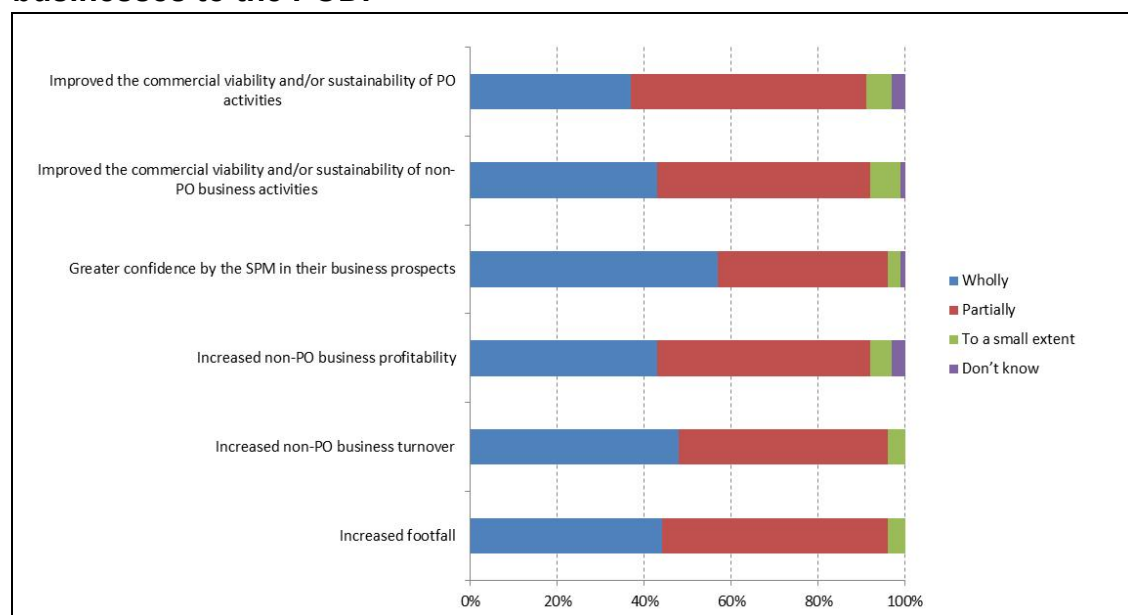
²⁰ 7 could quantify in absolute terms, and 50 could quantify in percentage terms.

²¹ 48 could quantify in absolute terms, and 8 could quantify in percentage terms.

turnover of just under £900 (and an increase of £55 in profitability). Some respondents have also seen an increase in jobs, from between one and eight jobs. The total number of jobs created since receiving the grant (by the 48 respondents who were able to quantify this) was 89 across all survey respondents. See Annex A for further details.

4.7. It is also important to consider the **extent to which the outcomes above are attributable** to the grant, as opposed to other factors and influences. As shown in Figure 4-3, the majority of respondents thought that the grant had wholly or partially contributed to improving footfall, business performance and viability.

Figure 4-3: Survey results – attribution of outcomes and impacts on the businesses to the PODF




Source: SQW analysis of beneficiary survey. Commercial viability (PO): n=122; Commercial viability (non-PO): n=120; Confidence: n=126; Profitability: n=86; Turnover: n=94; Footfall: n=104

4.8. The PODF has also generated a range of other outcomes, sometimes unexpectedly, for businesses taking part. According to survey respondents, case study consultees and evidence contained within the Welsh Government’s Progress Report documentation, these include:

- increased confidence in the viability of the post office and a secure future;
- new customers/ increased level of custom (e.g. Glais case study below);
- a significant reduction in the amount of shoplifting;
- a more pleasant environment in which to work;
- second-order effects, through the grant encouraging future improvements or opportunities, e.g. improving window displays, gaining a website, or the opportunity to create an on-line business as a result of the equipment purchased through the grant.

Figure 4-4: Extract from the Glais case study (see Annex C for the full case study).

<ul style="list-style-type: none"> • Glais Post Office is located in Glais, a semi-rural village six miles north-east of the centre of Swansea. • The owners received a capital grant of under £20,000 from the Welsh Government in 2009 and also contributed £1,000 of their own money. • Changes included cosmetic improvements (improved lighting, renovation of the door and introduction of a noticeboard) and diversification into a range of baked goods and chilled foods and drinks. • Benefits to the business itself: <ul style="list-style-type: none"> ○ a marked increase in customer footfall and an increase in turnover and profits (an increase in net profits of about 50%). • Benefits to the wider economy and community: <ul style="list-style-type: none"> ○ better shopping environment for customers and a greater choice of products (especially important as this is the only shop in Glais); ○ the noticeboard has become a focal point of news in the village; ○ community members felt they would be “lost without it” and that the post office and shop was “not just a business, but the hub of the community. It was a place to meet people...an essential part of village life”. 	
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Source: SQW

Wider outcomes for local communities and economies

Outcomes and impacts for the wider economy

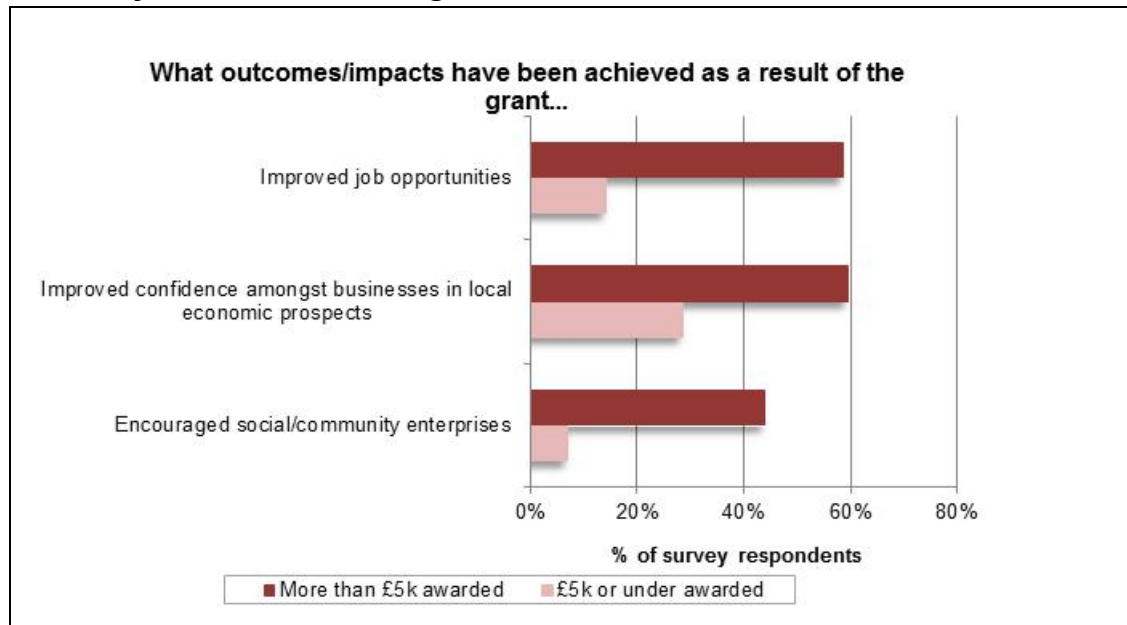
4.9. Grants have also brought benefits to local economies:

- 50% of respondents stated that the grant had resulted in improved job opportunities (in the Caerwys case study, for example, the project had created four jobs for local residents);

- 53% of respondents had seen improved confidence amongst businesses in local economic prospects;
- 37% believed the grant had led to the creation of social/community enterprises.

4.10. However, most of those awarded smaller grants (of £5,000 or less) did not think that there had been impacts on the economy as a result of the grant (see Figure 4-5), especially in terms of new job opportunities or encouraging social or community enterprises (86% and 93% respectively).

Figure 4-5: A comparison of outcomes and impacts on the wider economy for those receiving over and under £5,000




Source: SQW analysis of beneficiary survey. n=144

4.11. Other impacts on the local economy included:

- encouraging people to spend money in the local economy (see the Caerwys case study below);
- selling local produce in the new/improved retail parts of the business, which supported the local supply chain (e.g. the Caerwys case study) and encouraged local residents to shop locally (e.g. Glais case study);

- improving the image/attractiveness of the area, which they hope will in turn attract other local businesses to locate there (e.g. the Caerwys and Glyn Valley case studies);
- providing facilities for tourists, and encouraging tourists to continue to visit the area (e.g. Aberporth);
- a website providing marketing and networking opportunities, and which was then used by a high proportion of businesses in the area to advertise their good/services (e.g. the Caerwys case study).

Figure 4-6: Case Study: Caerwys Post Office (see Annex C for the full case study)

<ul style="list-style-type: none"> • Caerwys Post Office is located in the town of Caerwys in Flintshire in North Wales. • The Post Office now incorporates a butchers and delicatessen, both of which were previously located elsewhere in the town. • The Post Office received a total of grant of around £20,000 from Round 1 of the PODF in April 2009 (approximately two-thirds was capital funding and one-third revenue). The funding was used to re-model the inside of the building, moving the post office element to the centre and significantly reducing its size, so that the butcher had sufficient space. • Benefits to the business itself: <ul style="list-style-type: none"> ○ a 20% increase in post office turnover and 40% increase in non-post office turnover since spring/summer 2009. • Benefits to the wider community: <ul style="list-style-type: none"> ○ Four direct jobs created for local residents, the training of a butcher's apprentice, and the creation/safeguarding of additional local jobs through the sourcing of local products. ○ The website has provided marketing and networking opportunities for around 90% of local businesses in the area. ○ Maintaining access to post office services both for the immediate local community (especially for the elderly who find it difficult to travel long distances, and local businesses) and those further afield. ○ The project has provided a social hub and allowed the continued provision of financial services. 	
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Source: SQW

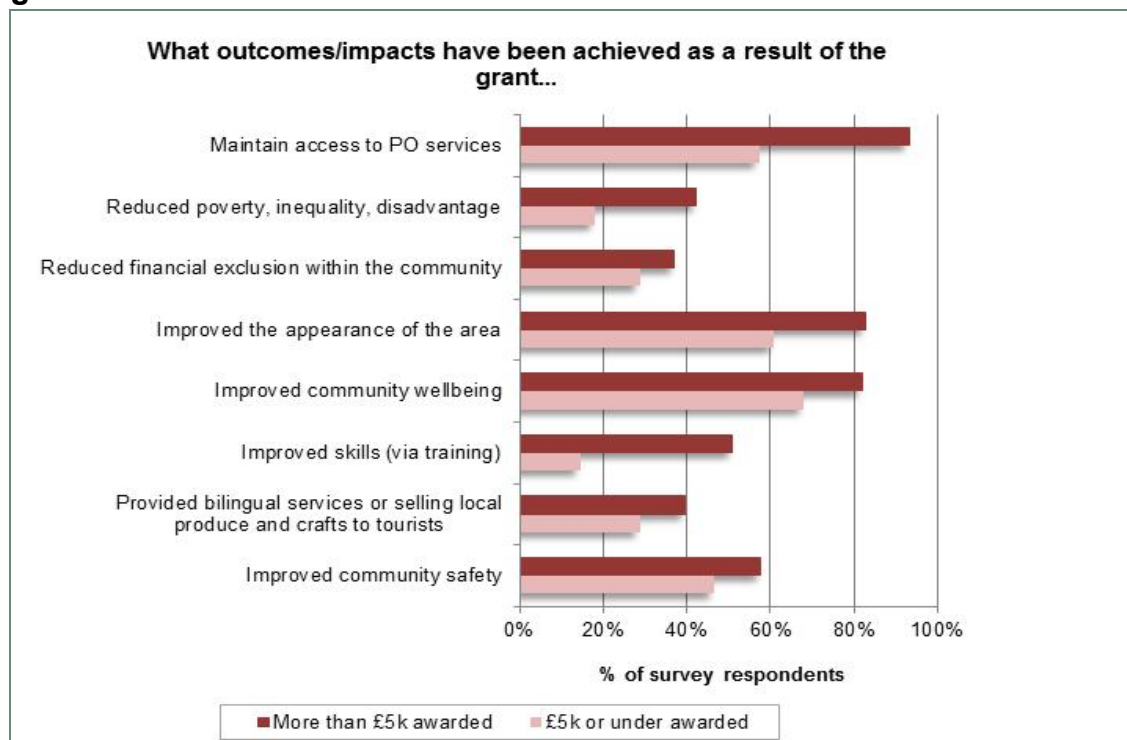
Outcomes and impacts for the wider community

4.12. The majority of survey respondents believed that the PODF had enabled the continuation of access to post office services (86%), improved community wellbeing (79%), and improved the appearance of the area (78%). Areas where the PODF was seen as less effective in generating outcomes

was around reducing poverty, inequalities and disadvantage (one of four key criteria of the Fund), reducing financial exclusion, improving skills, and providing bilingual services.

4.13. Figure 4-7 shows the impact on the community of the grant, split by those receiving under and over £5,000. The size of the grant appears to make the greatest difference in relation to maintaining access to PO services, reducing poverty/inequality/disadvantage, and improving skills (where larger grants had greater impacts) – whereas the size of grant appears to make relatively little difference to community wellbeing, community safety, financial exclusion or the appearance of an area.

Figure 4-7: Outcomes and impacts on the wider community by size of grant



Source: SQW analysis of beneficiary survey. n=144

4.14. In addition to the categories of community benefit above, the grants have benefited communities in other ways (see Table 4-1): for example, the Caerwys and Aberporth case studies suggest the Fund has been particularly beneficial for elderly residents.

Table 4-1: Examples of wider community benefits

- Social inclusion benefits, for example, by ensuring that elderly residents can access food supplies (external stakeholder).
- Maintaining services for those that are in poverty (so they do not have to pay for transport elsewhere).
- Training new staff for the non-PO businesses (e.g. catering, food hygiene, IT skills).
- Local clubs and groups using the café which was established with PODF support.
- Increased local residents' choice and the range of products on offer in the area (e.g. Glyn Valley).
- The Fund has "brought products and services closer to the community" (external stakeholder).
- Improving the experience for customers with disabilities (ramps, counters which allow for wheelchair access).
- Providing access to financial services for those without bank accounts or transport.
- Providing a social function (e.g. Caerwys case study) and a meeting place for the local community, thereby reducing social exclusion (external stakeholder).
- Introduction of bilingual members of staff.
- Improved access to ICT and improved ICT literacy amongst some groups (e.g. Llanishen case study outlined in Figure 4-8).
- Improved security through better lighting, CCTV and alarm systems.
- Contributed to the community being a place where people want to live (e.g. Caerwys case study) and encouraged people to stay in the area (e.g. Aberporth).

Source: Beneficiary survey and case studies

Figure 4-8: Case study: Llanishen Post Office (see Annex C for the full case study)

- Llanishen Post Office is located on the outskirts of Cardiff and has a diverse customer base, including a sizeable elderly population, young families and businesses from the local business park.
- Prior to diversification, the Post Office sold cards and stationery but has transformed this space into an internet hub with a capital grant from the Under £20,000 Fund.
- The Post Office also received a revenue grant for advertising and employing a member of staff to work at the hub and the owners contributed £8,000 from the business to help pay for this diversification.
- Benefits to the business itself:
 - increased customer footfall to both the Post Office and private business, although the financial impact on the business was less dramatic than hoped.
- Benefits to the wider economy and community:
 - encouraging people who would not otherwise have the opportunity, to start using computers, e.g. through an event organised by Age UK at the hub;
 - benefits for local children, who use the computers for homework.



- A customer commented: “while what was there before in the Post Office was fine 10 years ago, you can’t keep it the same all the time without it going stale. The changes have resulted in a new lease of life for the Post Office”.

Source: SQW


Figure 4-9: Aberporth case study (see Annex C for the full case study)

- Aberporth Post Office is located in a coastal village in Ceredigion and has a diverse customer base, including a sizeable elderly population and a high number of local tourists.
- The building was previously a pharmacy, and the Post Office was introduced as part of the PO Local Pilot (one of two in Wales).
- The SPM received a small grant (under £5,000) in October 2010 to build a staff toilet and renovate the pharmacy area of this business.
- Benefits to the business itself:
 - The new toilet has benefited the non-PO side of the business (the pharmacy) as the business could not continue without satisfying H&S regulations. The grant has therefore helped ensure the future viability of the non-PO business as part of the wider business.
 - Following the renovation of the pharmacy area, its turnover has increased by 20% (and around one-quarter of this increase is attributed to the PODF).
- Benefits to the wider economy and community:
 - Community awareness of the improvements, and therefore impacts on the community, of the physical changes. has been limited.
 - The SPM was reluctant to continue with the PO Local pilot (and therefore the PO itself) without having the PODF grant. Therefore the grant has meant that post office services have returned to the village (the previous Post Office had closed some time ago), and the community has benefited indirectly from the grant.
- In future, the PODF could better link up with the PO Local scheme, by helping to provide capital improvements to non-PO businesses to enable them to take on the Post Office.



Source: SQW

Figure 4-10: Case Study: Glyn Valley Post Office (see Annex C for the full case study)

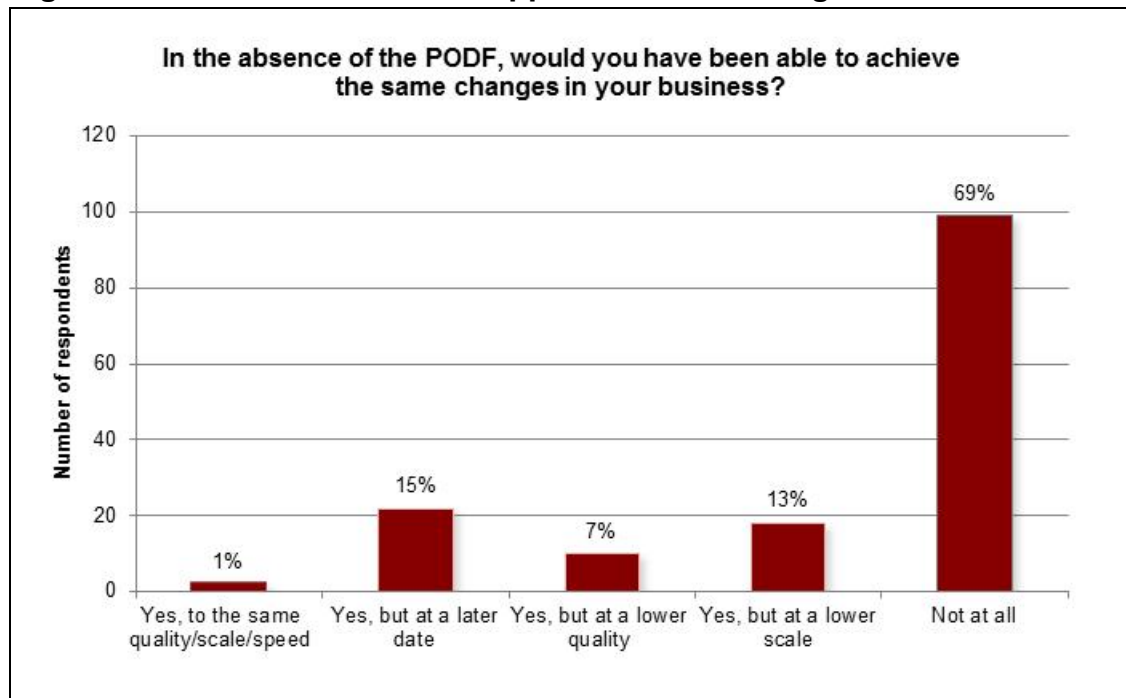
<ul style="list-style-type: none"> • Glyn Valley Post Office is situated in Glyn Ceiriog in the Glyn Valley near to Chirk and Llangollen. • In addition to the post office there is also a gift and toy shop, a café, internet facilities and tourist information located at the premises. • The Post Office secured a grant from the under £20,000 fund (mainly capital with some revenue funding) in December 2009, which was used for internal shop-fitting, security system, ICT equipment, an external awning and a website. • Benefits to the business itself: <ul style="list-style-type: none"> ○ business turnover was stable during 2010 and a 5% increase (in part due to the new café – not grant funded) was achieved the following year against an industry decline of 10%. • Benefits to the wider community: <ul style="list-style-type: none"> ○ becoming another tourism asset in the Valley. The shop supports local businesses by selling local eggs, honey, cards, pictures and embroidery. Many local businesses also use the Post Office for cashing their takings such as the local wood mill, spa, pub and local schools; ○ maintained access to post office services which in turn has reduced financial exclusion in the village providing access to cash for those banking with banks connected with the Post Office. The business has also helped combat digital exclusion by providing computer and internet access, as many people higher up in the valley have limited internet access. The Post Office also provides a social hub for the elderly and mums and toddlers. • The gift shop is seen as filling a real gap by the community, providing a good selection of inexpensive gifts and cards (many of which are locally produced). 	
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Source: SQW

Additionality

4.15. In the **absence of the PODF**, over two-thirds (69%) of survey respondents claimed that they would not have been able to achieve any of the grant-generated changes. For these beneficiaries, the impacts associated with the grant are considered as “full additionality”. A further 30% of beneficiaries surveyed stated that outcomes would have been achieved at a later date, lower quality or lower scale; this represents “partial additionality”. Only 1% claimed that they would have been able to achieve the same changes to the same quality, scale and speed in the absence of the grant; this is classed as “deadweight” because the outcomes would have happened anyway.

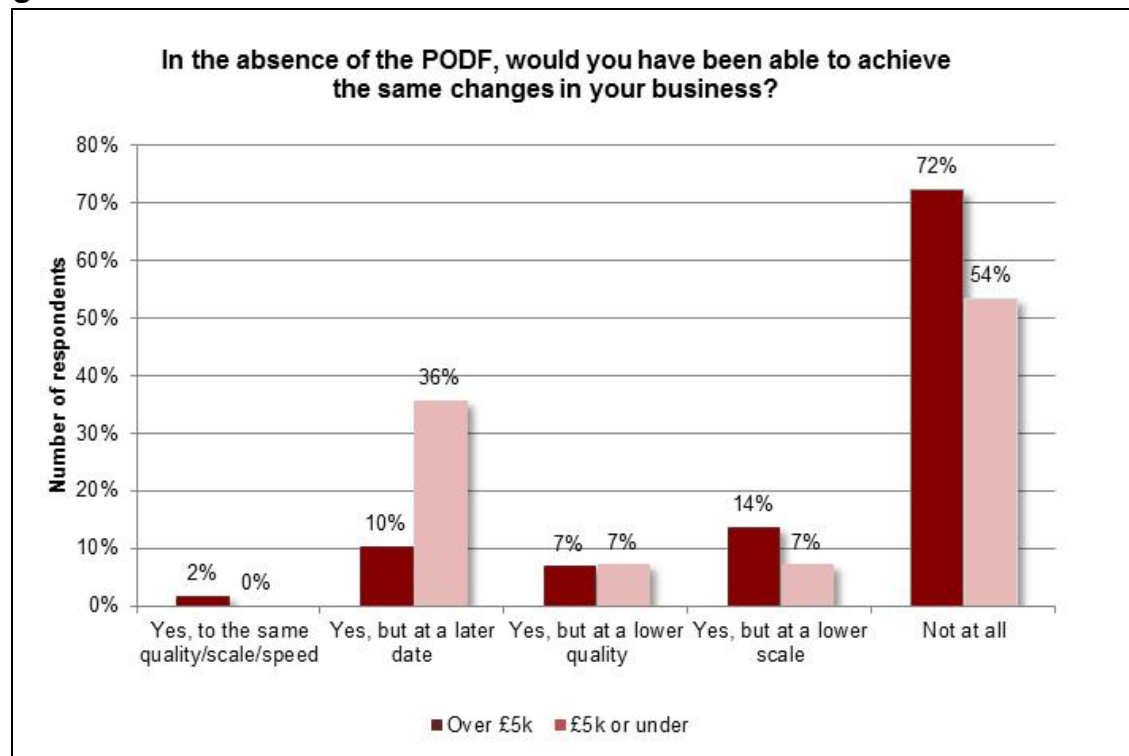
Figure 4-11: What would have happened without the grant



Source: SQW analysis of beneficiary survey. n=144. Notes: Some respondents had observed more than one type of 'partial additionality', e.g. they would have been able to achieve the changes at a later date and at a lower quality, hence the sum of respondents that would have made changes at a later date, lower quality and lower scale is greater than 30%.

4.16. Those that received a smaller grant (of £5,000 or less) were much more likely to think they would have partially achieved the changes (at a later date, lower quality or lower scale) in the absence of the grant, compared to those receiving larger grants (over £5,000). This suggests the level of full additionality is much higher for the larger grants, most likely because SPMs would have struggled to raise this level of investment themselves.

Figure 4-12: What would have happened without the grant, by size of grant received



Source: SQW analysis of beneficiary survey. n=144

Strategic Added Value

4.17. As demonstrated throughout this Section, there is evidence to suggest that the PODF delivered Strategic Added Value (SAV) in a number of ways:

- **Creating confidence in prospects for growth** – as described above.
- **Encouraging the scaling up of activities** – as shown in Figure 4-11, the grant helped 13% of survey respondents to scale up their diversification/improvement plans. This is also supported by evidence from unsuccessful applicants who made some changes to their business but on a smaller scale.
- **Delivering results that were of a higher quality than might otherwise have been the case** – some of the survey respondents would not have been able to deliver the same level of quality without the grant; and a small proportion of unsuccessful applicants made changes at a lower quality than they could have achieved with the grant.

- **Acting as a catalyst for change** – for example, in the Newtown case study the grant had a snowball effect, enabling the SPM to make a profit (because of the increase in turnover) and then reinvest this profit in the business to improve it further (see Figure 4-13 below).
- **Encouraging sub-post offices to shift towards activities that contribute to improved community wellbeing** – as above. Also, where unsuccessful applicants had made changes anyway, these did not tend to focus on provision of new services to the local community.
- **Helping to lever additional resources** – the majority (72%) of beneficiaries surveyed contributed towards the cost of diversification. External stakeholders also argued that the Fund helped post offices access other funding. For example, Post Office Limited offers support to post offices with the highest 10% in turnover, and it was argued that post offices which had made improvements with PODF funding were more likely to be able to access support from Post Office Limited. One external stakeholder thought the grant also gave post offices a greater chance of securing bank finance as match funding.

Figure 4-13: Case Study: Newtown Post Office (see Annex C for the full case study)

<ul style="list-style-type: none"> • Newtown Post Office is situated in the centre of the largest town in Powys. • The large Post Office now houses a party shop, funded by the PODF grant received in April 2009 for under £20,000 (which was a mix of revenue and capital funding). The SPM contributed £4,500 towards the diversification, and benefited from the Business Rate Reduction Programme. • The PODF grant was used for refitting the shop, purchasing machinery for coating and blowing up balloons and staff training on how to use the equipment. • Benefits to the business itself: <ul style="list-style-type: none"> ○ Over two years turnover has increased from an average of £200 per week to £1,300 per week. ○ A substantial increase in footfall. ○ Turnover is predicted to continue to increase for the next five to 10 years and the SPM will continue to expand into corporate and wedding party markets. • Benefits to the wider community and economy: 	
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- it has maintained access to post office services and has also provided outreach services for wider communities across three villages;
- the safeguarding of seven and the creation of three jobs for local residents, and those employed by the post office have also been up skilled;
- the continuation of PO facilities has been invaluable for local businesses, such as local eBay businesses.

Source: SQW

Feedback from unsuccessful applicants and non-applicants

4.18. In order to assess the counterfactual – what would have happened without the grants – we also spoke to smaller, randomly selected, samples of unsuccessful applicants (n=28) and non-applicants (n=28) to find out whether they were able to achieve changes without support and whether these changes were achieved to the same timescale, quality and scale as might have been the case with PODF support.

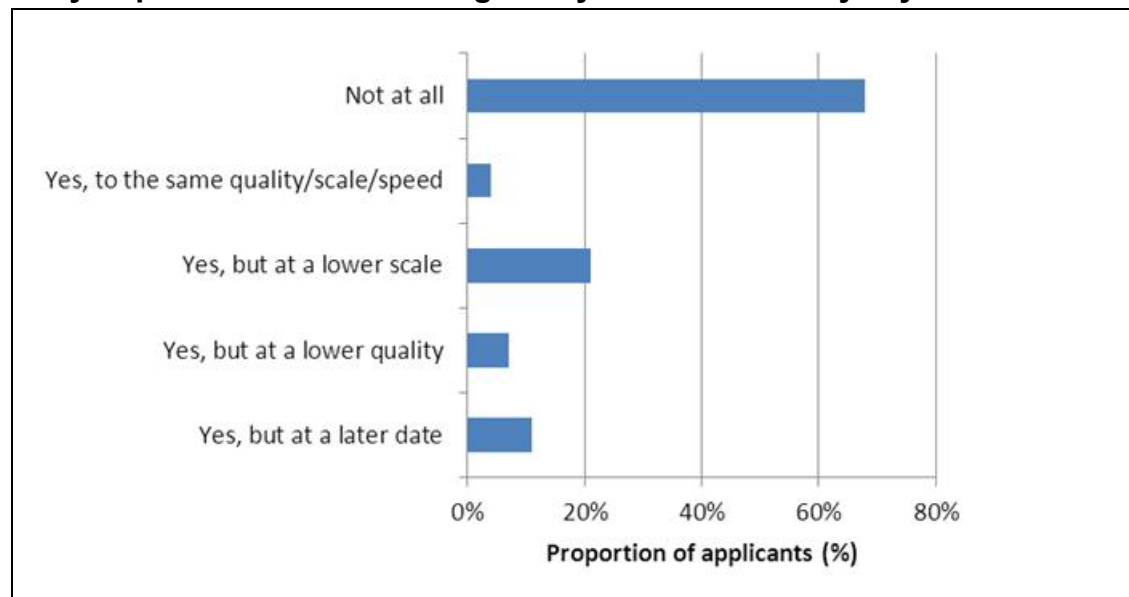
Unsuccessful applicants

4.19. The majority (68%) of SPMs in the survey of unsuccessful applicants had not subsequently changed their business in any way (see Figure 4-14). This suggests that the counterfactual position for SPMs is a failure to invest – this supports the rationale for intervention, and also supports the finding from the main survey, that the PODF achieved a high level of additionality. There is some degree of partial additionality:

- just over a fifth of unsuccessful applicants surveyed went on to make some changes on a lower scale;
- 11% made the intended changes at a later date;
- 7% made changes at a lower quality than they would have been able to achieve had they been successful.

4.20. Of those that went on to make changes to their businesses anyway, most did not receive support from anywhere else, and most did not focus on provision of new services to the local community, suggesting that the PODF helped deliver investments with community as well as business benefit.

Figure 4-14: Survey results – Following your unsuccessful application, did you proceed to make changes to your business anyway?



Source: SQW analysis of unsuccessful applicant survey. n=28

4.21. The SPMs were asked what they considered **the implications of not receiving the grant** had been on their business. Of the 28 unsuccessful applicants surveyed:

- 29% felt that their turnover was below what it could have been had they received the grant, and 18% claimed that turnover had fallen as a result (one quantified this as a loss of £1,500 per week);
- 14% SPMs considered the viability of the PO-side of the business to have reduced;
- one SPM felt that there had been an effect on the viability of the business as a result of not getting the grant;
- one SPM felt that the viability of their non-PO activities was affected as they were unable to expand their product range.

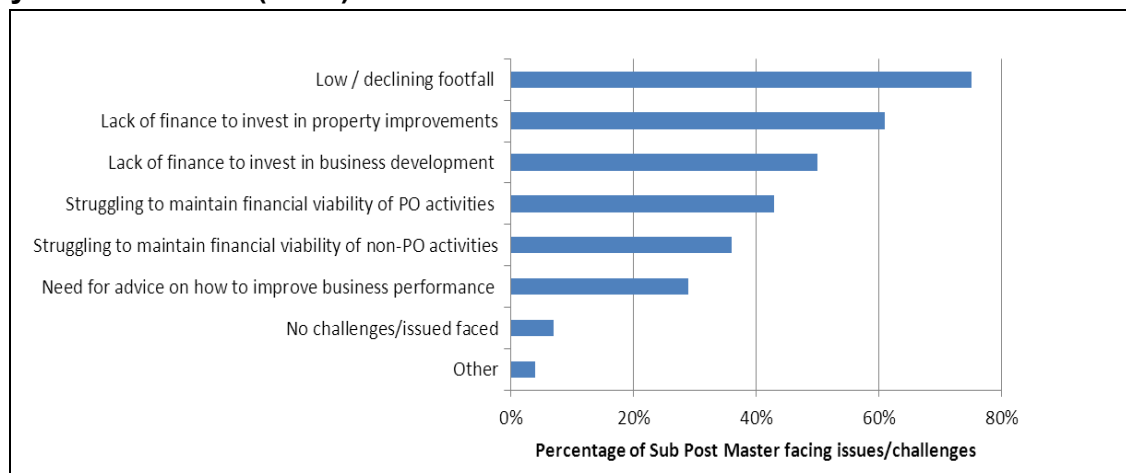
4.22. Other implications of being unsuccessful included a reduction in staff morale, security concerns, customer complaints regarding access, restriction on the services offered to the community, inability to respond to customers' requests for new products and services, and lack of confidence in applying for further business support.

Non-applicants

4.23. Most (82%) of the 28 SPMs who did not apply for a grant were aware of the existence of the PODF. Many felt that the Fund was not needed or not relevant to their business. Only a small number were discouraged by the perceived burden/difficulties associated with applying. Others decided not to apply because of the future uncertainty of the post office industry, they were “put off by their previous experience of applying for the Development Fund”, perceptions of the requirement for 50% match funding, or a lack of awareness of eligibility.

4.24. The non-applicants faced a variety of issues/challenges in their business. As illustrated below, many had experienced low or declining footfall, and a lack of finance to invest in property improvements or business development. Almost half were struggling to maintain the financial viability of their post office services, and over a third were also struggling to maintain the financial viability of their non-post office services. Many of these issues are well aligned with the original rationale for the PODF, which again provides evidence to demonstrate a need for the Fund.

Figure 4-15: Have you faced any of the following challenges or issues in your business? (n=28)



Source: SQW analysis of non-applicant survey

4.25. Over half of the non-applicants surveyed had not responded to the challenges above in any way, whilst almost 20% had invested in post office

and non-post office services using their own personal or business funds. A small number had received support from elsewhere to make changes, including the Post Office Limited and grants from the Business Development Fund.

4.26. Over half of those surveyed did *not think* that receipt of a PODF grant would have made a difference to their ability to respond to the challenges faced. Where non-applicants *did* think that a PODF grant would have made a difference:

- 31% believed that it would have enabled them to implement a higher quality response to the challenges being faced, resulting in greater benefit for the local community and businesses;
- 15% believed that the challenges could have been addressed at a greater scale (25% to 30% greater);
- 8% thought that the challenges would have been addressed more quickly.

An assessment of gross and net impacts

4.27. In the Brief for this study, the Welsh Government requested an assessment of gross and net economic impacts. An assessment of Gross Value Added (GVA), as a measure of economic output²², was calculated by SQW, based on survey evidence on the increase in turnover observed by beneficiaries. However, given the low response rate to the survey question relating to turnover, SQW and the Welsh Government agreed that the GVA calculation was not sufficiently robust to be included in this report.

4.28. It is also important to emphasise that the objectives of this Fund were not solely focused on increasing turnover; ensuring businesses are commercially viable/sustainable and community benefits were equally important, but these are difficult to quantify (and not therefore included in the estimation of GVA). Also, quantifying the Fund's impacts on issues such as financial inclusion is difficult owing to lack of data. These social benefits are

²² GVA is measure of wages and profits associated with a particular economic activity.

believed to be significant: a recent study by NERA on behalf of Postcomm (2009) assessed the “social value” of post offices²³ and concluded that the post offices network “provides a major social net benefit to the UK population”²⁴.

4.29. A qualitative assessment of additionality achieved by the Fund is presented below. This takes into account deadweight (i.e. the level of outcomes that would have happened anyway without the project), leakage, displacement, substitution and multiplier effects, based on evidence from surveys (which gave statistically significant results on deadweight and displacement), data on the location of beneficiaries (which gives comprehensive data on leakage), case studies and consultations. Overall, the additionality achieved by the Fund appears to be high – i.e. the majority of beneficiaries would not have made changes to their businesses without support from the Welsh Government. However, the evidence suggests that displacement has occurred due to the presence of competitors in close proximity to SPMs that have benefited from the Fund – in future, any intervention should seek to minimise displacement, and ensure that SPMs diversify into activities which will not create direct competition for other local firms.

Table 4-2: Assessment of additionality

	Commentary
Deadweight (i.e. the counterfactual)	Based on the statistically significant beneficiary survey, 69% of outcomes are fully additional and 30% are partially additional. We can be 95% confident that deadweight for the population of beneficiaries is at this level \pm 5%. This represents a relatively low level of deadweight.
Leakage	The analysis of the location of all beneficiaries shows that all were located in Wales, the target area for this Fund. Leakage is therefore assumed to be zero.
Displacement	The level of displacement is assumed to be medium. When asked the location of competitors to non-PO activities, the majority of beneficiaries surveyed had competitors to their non-post office businesses within a one mile radius (52%). Only 3% of those sampled had no competitors within 10 miles of the post office. As a result, there will be some risk that some of the outcomes delivered by the Fund (such as increased

²³ Estimated at around £1billion nationally.

²⁴ http://www.nera.com/extImage/PUB_Postcomm_Aug2009.pdf

	Commentary
	turnover) will have been displaced from competitors in the local area.
Substitution	Substitution is assumed to be very low. The evidence suggests that post offices introduced new non-PO activities, rather than replacing one for another.
Multiplier effects	Multipliers are assumed to be reasonably high. Multipliers quantify the knock-on economic activity generated by the Fund, including the income (“induced”) multiplier which is associated with additional income to those employed at the sub-post office, and a supply (“indirect”) multiplier, where local suppliers benefit from the changes made. There is evidence to show that the Fund has encouraged people to shop locally, and benefited local supply chains.

Source: SQW

4.30. Also, the benefits generated by the PODF are likely to persist for the majority of beneficiaries for a number of years. Evidence from case study feedback and consultations with management staff suggests that persistence is likely to be around 10 years.

Value for money

4.31. Value for money (vfm) is a measure of the efficiency through which the outputs/outcomes have been delivered. Typically, this is assessed by calculating the cost per business assist (subsequent calculations of Return on Investment (RoI) and Cost Benefit Analyses (CBA) would then compare overall costs with the outcomes/impacts achieved by the project). However, with a programme such as the PODF, there are a number of challenges in assessing vfm (and indeed RoI) because many of the impacts are qualitative and unquantifiable, particularly with respect to community benefits. It is therefore important to bear in mind that assessments are necessarily partial, based on the information available, and caveated.

4.32. If we use the number of businesses supported by the PODF as a proxy for outputs (as outputs have not been collated for the Fund), the analysis shows that the cost per business supported in the first four rounds of PODF grant allocations ranges from £15,000 to £21,000 (if we count each post office as a ‘business assist’ - in practice a small number received more than one grant).

4.33. It is very difficult to find suitable comparators to the PODF programme, given the nature of the Fund, but benchmarks for enterprise and business development interventions elsewhere suggest, when assessed only on this basis, that the cost per business assist for the PODF appears to be in line with – but towards the upper end of – benchmarks from programmes elsewhere.

Outcomes and Impacts - Key Messages

Outcomes and impacts - on businesses

- 65% of survey respondents felt that the grant had resulted in increased non-PO business turnover and 60% of respondents felt that the grant had resulted in increased non-PO business profitability.
- 83% had observed an improvement in the commercial viability &/or sustainability of non-PO business activities, and 78% had experienced an improvement in the commercial viability &/or sustainability of PO activities.
- Other outcomes for business include greater confidence in the prospects of their business, changing SPMs' mindsets and encouraging further diversification/investment in improvements to the non-PO business.

Outcomes and impacts - on local economies

- 50% of survey respondents stated that the grant had resulted in improved job opportunities (89 jobs had been created by 48 survey respondents), and 53% of respondents had seen improved confidence amongst businesses in local economic prospects.
- The Fund encouraged people to spend money in the local economy, enabled local produce to be sold directly to residents (and therefore supported local supply chains), improved the image/attractiveness of the area (which should attract other local businesses to locate there), and encouraged tourists to continue to visit the area.

Outcomes and impacts - on local community sustainability

- The Fund enabled the continuation of access to post office services (86% of survey respondents observed this), improved community wellbeing (79%) and improved the appearance of the area (78%).
- The PODF was less evidently effective in generating outcomes which contributed to reducing poverty/inequalities/disadvantage (one of four key criteria of the Fund), to reducing financial exclusion, in improving skills, and in providing bilingual services.

Strategic added value

- Examples of SAV generated by the Fund include: creating confidence in prospects for growth; encouraging the scaling up of activities; delivering results that were of a higher quality than might otherwise have been the case; acting as a catalyst for change; encouraging sub-post offices to shift towards activities that contribute to improved community well-being; encouraging additional resources to be levered.

Value for money

- High levels of additionality have been achieved.
- The value for money (in terms of cost per business assist, and management/delivery costs as a proportion of the grant investment) is reasonable.

5. Conclusions

5.1. In this final section, we summarise the key findings of this evaluation, and provide thoughts and recommendations for going forward.

Summary of findings

Programme design

5.2. The Fund was well aligned with wider strategic priorities, particularly those of One Wales which committed to “reinstate and refocus the Post Office Development Fund” when the Fund was established – this was the main impetus behind the introduction of the PODF in 2009. However, perhaps because Post Office Diversification Fund (PODF) followed the earlier Post Office *Development* Fund, there is very little documentation that sets out the PODF’s intentions; evidence on this has largely been collected through consultations. There are key gaps in terms of a baseline for 2009 (to demonstrate the rationale for intervention), and key performance indicators for outputs, outcomes and impacts (against which progress could be measured). The current aims and objectives are expressed in the form of criteria for the grant award process, and are not particularly SMART (measurability and specificity are issues).

Delivery of activities to date

Content

5.3. Between January 2009 and October 2010 (Rounds 1 to 4 of the Fund), 229 grants were awarded, amounting to a total spend of £4.03million. The average grant of £17,600 compares with £40,500 in the earlier scheme. Almost three-quarters of beneficiaries surveyed also contributed financially towards the cost of diversification, amounting to just over £1.5million in Rounds 1 to 4.

5.4. Activities delivered to date have tended to focus on improving non-PO businesses more than diversification into new areas. Innovation and creativity

are not particularly evident in the applications, partly perhaps because the forms were deliberately designed to be as straightforward as possible. Also, the Welsh Government struggled to get take-up of the revenue element within the Fund. Capacity building in these respects is probably needed in future. We found that SPMs with retail experience demonstrated more market awareness and willingness to diversify; also, projects backed by community support were more successful.

Process

5.5. On the whole, beneficiaries were highly satisfied with the PODF delivery process, acknowledging support from an experienced Welsh Government team before and after receipt of the grant. Existing networks and magazines with high readerships were utilised to reach the target audience, and these proved to be very effective in promoting the Fund. Flexibility to respond to changing needs was seen as a key strength of the Fund.

5.6. The PODF filled a genuine gap in the market for support specifically for post offices: some concern was expressed about possible duplication with other programmes aimed at marketing training, business planning, rural retail diversification, and rural capital grants provided by local authorities, but no specific examples were cited to us of duplication or confusion.

Outcomes and impacts

5.7. In terms of outcomes for businesses themselves, the evidence suggests that the PODF has played an important role in increasing non-PO business turnover and profitability, and improving the commercial viability and/or sustainability of PO and non-PO business activities, in the majority of SPMs that participated in the Fund. SPMs are now also more confident in the prospects of their business, and some have been encouraged to diversify/invest further in their non-PO business.

5.8. The PODF has also had positive impacts on local economies and communities:

- There is evidence to suggest that the PODF has improved job opportunities in around half of the participating businesses, and improved confidence amongst businesses in local economic prospects more broadly. It has also encouraged people to spend money in the local economy, enabled local produce to be sold directly to residents (and therefore supported local supply chains), improved the image/attractiveness of the area (which should attract other local businesses to locate there), and encouraged tourists to continue to visit the area.
- In terms of local community impacts, survey respondents believe that the Fund has enabled the continuation of access to post office services and improved community wellbeing in the majority of cases.

5.9. However, the PODF has been less effective in generating the intended outcomes of reducing poverty/inequalities/disadvantage (one of the four key criteria of the Fund), reducing financial exclusion, improving skills, or providing bilingual services.

5.10. Overall, we found that high levels of additionality were achieved, and concluded that the Fund had delivered reasonable value for money (in terms of cost per business assisted, and management costs as a proportion of the grant investment).

5.11. The PODF has demonstrated Strategic Added Value (SAV), for example by creating confidence in prospects for growth, encouraging the scaling up of activities, delivering results that were of a higher quality than might otherwise have been the case, acting as a catalyst for change, encouraging sub-post offices to shift towards activities that contribute to improved community wellbeing, and encouraging additional resources to be levered.

5.12. We conclude that the Fund has met its objectives in part. The Fund increased non-PO business turnover and profitability, and thereby improved the commercial viability and/or sustainability of PO and non-PO business activities. However, the evidence suggests that more was achieved in improving the performance of *existing* business streams than in encouraging *new* activities – the diversification in the title of the Fund. We believe that the scale of support available and how this was presented in the application process were key factors in this. Revenue support might have helped to develop new business ideas and plans for diversification, but this was not well understood or used.

5.13. The Fund made progress towards its social objectives, enabling the continuation of access to post office services and improving community wellbeing, but there was no focus on specific groups within the communities. Consequently we found only limited evidence that the Fund had benefited the socially disadvantaged.

Recommendations for the future

The context for future intervention

5.14. Finally, we consider the implications of these findings going forward. First, we note that market and technological changes continue to challenge post office viability. A recent paper by the National Federation of Sub Postmasters in April 2011 reported²⁵:

“Post offices are attracting fewer customers, and are operating in an ever more competitive market, resulting in ever smaller margins. Salaries are falling year on year... Change is undoubtedly required, and if we don’t act, the network will change anyway – post offices will be forced to close.”

5.15. The case for continued intervention of some kind in Wales was supported both by external stakeholders and project beneficiaries: 35% of SPMs surveyed believed they would require diversification support in future, and 43% expected to need some support. The question of what form this

²⁵ <http://www.nfsp.org.uk/uploads/pdfs/Network%20restructuring.pdf>.

might take requires further thought. There still seems to be an ‘information failure’ amongst SPMs on how best to change to ensure future economic viability and sustainability. Some stated a need for improvements to premises (such as cosmetic improvements and equipment), suggesting they were not thinking particularly innovatively about the future (or were expecting only small-scale public grants to be available). However, others indicated capital was needed to realise diversification, and revenue funding might also be required (e.g. for marketing of non-PO activities and training of staff).

5.16. Our own view, drawing on the evaluation findings, is that revenue funding will be particularly important going forward – while many, probably most, SPMs lack finance to invest, many are also lacking in the knowledge and creativity to develop innovative ideas on how to sustain incomes in future.

5.17. Changes in the UK-wide policy context for post offices are also relevant. The Post Office Local initiative is focused on adding post office services into other businesses, rather than diversifying existing post offices. As post offices are a non-devolved issue, any future interventions for Wales should keep track of changing national policy (and associated funds/interventions) to ensure that any future intervention is adding real value, and not duplicating or risking confusion.

Recommendations regarding the design and delivery of a new scheme

5.18. Given that national-level support is available for this non-devolved function, the case for further support to SPMs in Wales will depend on the extent to which the national scheme meets Wales’ particular needs, including specific social conditions and geographical factors, and the likelihood that an additional intervention can be effective. PODF demonstrated the scope for such an intervention, but if this remains a priority for the Welsh Government, we recommend that the scheme should be redesigned in the light of current conditions as well as learning from PODF and its predecessor, PODevF.

5.19. Specific criteria should be as follows:

- A clear, logical and well evidenced case should be prepared, setting out the rationale for intervention (in 2011/12) with supporting baseline evidence (including complementarity with other support), aims and objectives, and key performance indicators for outputs, outcomes and impacts.
- Developing SMART objectives is particularly important to enable progress to be measured, and evidenced, more efficiently in future. In seeking to tighten up the objectives, the Welsh Government should set out – and quantify where possible - the desired ‘end point’, and what ‘success’ of the Fund will look like (e.g. reducing the rate of post office closure by x).
- The scale and content of individual project support should be defined in relation to the stated objectives of the intervention and evidence describing and quantifying need, as well as overall funds available, and expected target groups and geography. Care will be needed to ensure that there is no duplication with other programmes aimed at skills training and marketing, support for business planning, rural retail diversification schemes, and capital grants for rural businesses provided by local authorities.
- More emphasis should be placed on sustainability, to ensure that businesses supported become economically viable, and have clear plans for the future through which they can be expected themselves to raise the finances required.
- If, as again we would expect, the objectives remain focused on community benefits, then community consultation (and supporting evidence) should feature more strongly in the application and assessment process.
- Revenue funding should be provided for business support (e.g. for feasibility testing, business plan development or training) and capacity building to assist with developing innovative, creative and commercial diversification opportunities (e.g. capacity building workshops). The Welsh Government should also improve the explanation and communication of what revenue grants could be used for. In addition (or alternatively), the Fund should work in

close partnership with other bodies/private sector organisations that deliver programmes which could provide this support, and draw on other experience in generating a more enterprising outlook in relatively isolated businesses, for example, the Welsh Government's Agrisgop scheme.

- Better performance monitoring systems should be developed to capture outputs, outcomes and impacts – this should include formal communications with beneficiaries *after* the changes have been made to assess impacts. For example, this could involve asking beneficiaries to collate evidence on outcomes/impacts six or 12 months after the grant has been spent. This could also be linked to monitoring mechanisms used by others, such as the National Federation of Sub Postmasters, to inform the delivery of support by others. Also, outcomes and impacts for communities should be monitored to ensure that community aims are being achieved. Implementing improved monitoring systems for outcomes/impacts, will enable the Welsh Government to assess whether the Fund is effectively delivering against its objectives (including business diversification), and to adjust the Fund's focus if and when required. It will also be easier to demonstrate impact at the end of the programme's lifetime.

5.20. The overall finding of the evaluation was that the delivery of PODF has worked well, and has been appreciated by beneficiaries. We would hope that similar arrangements could be put in place for any similar future intervention, taking on board the recommendations above. In the current economic climate, it will be particularly important in delivering any new scheme to ensure that applicants are challenged appropriately, and asked for the information which will demonstrate business need and the wider community benefit.

Annex A: Programme Beneficiaries – detailed survey analysis

Introduction

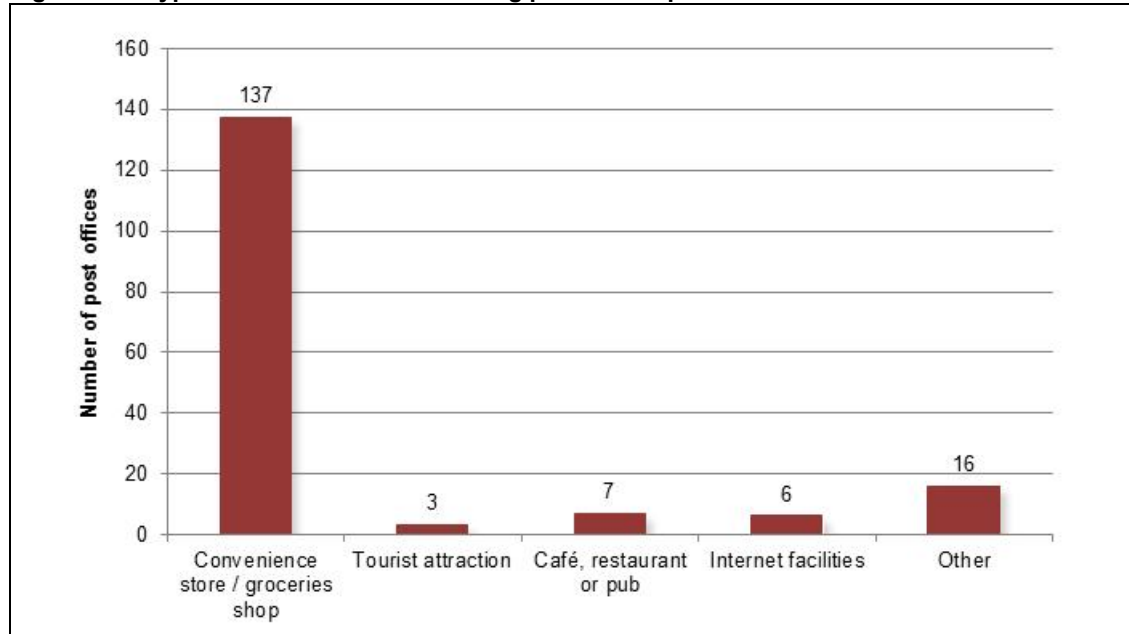
- A.1 A beneficiary survey was carried out in July and August 2011, involving a sample of 144 sub-postmasters (SPMs) that had received grant funding through the PODF (Rounds 1 to 4)²⁶. The results are statistically significant at the 95% confidence level ± 5 (i.e. we can be 95% confident that the results represent the beneficiary population as a whole $\pm 5pp$).
- A.2 The survey sample, taken from a database provided by the Welsh Government, mirrored the proportion of successful beneficiaries who had received a grant of under £5k (22%) and who had received over £5,000 (78%). Within these groups, beneficiaries were selected randomly. Once selected, the sample was checked to make sure that there was a good spread geographically, across capital and revenue recipients, and across funding rounds.
- A.3 Through a 15 minute telephone interview, the survey aimed to gain the views of SPMs on the grant process and the impacts of the PODF on business performance, local communities and economies.

Profile of respondents

- A.4 The most common non-PO activity carried out at post offices (POs) sampled were convenience stores or grocery shops, with 95% of beneficiaries using their premises for this activity (Figure A-1).

²⁶ Beneficiaries of Round 5 had not been awarded at the time of sampling.

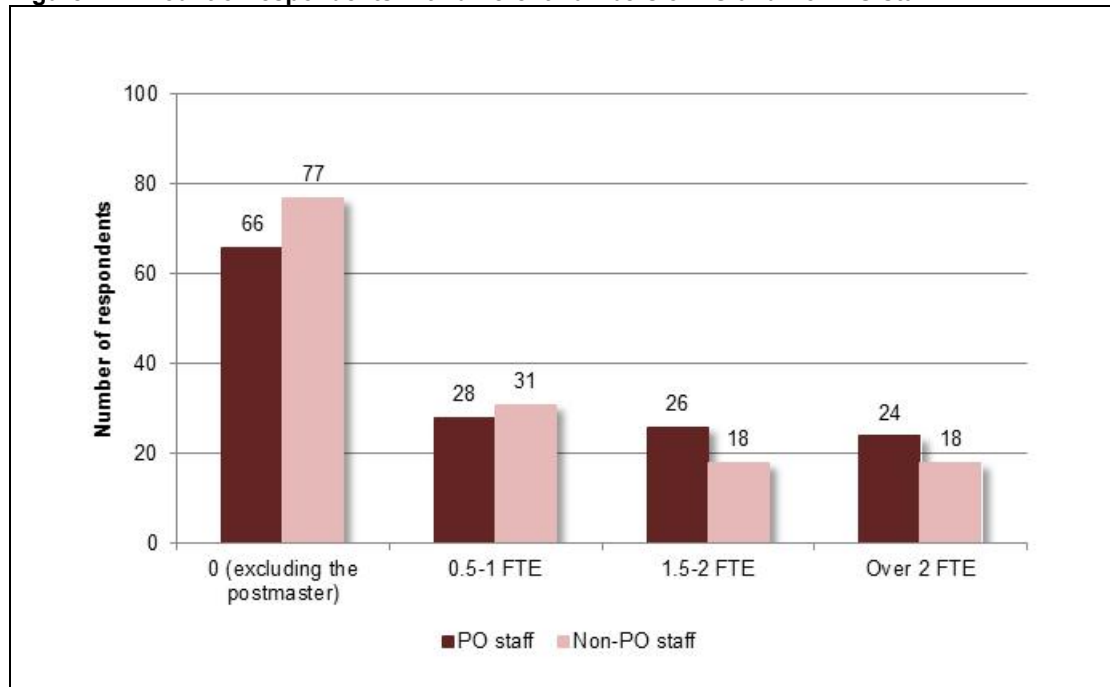
Figure A-1: Types of non-PO activities taking place at PO premises



Source: SQW analysis of beneficiary survey. Respondents were able to provide multiple answers. n=144. 'Other' includes petrol stations, travel agencies, dry cleaning services, pharmacy and police surgery.

A.5 As shown below, the majority of respondents did not employ additional staff for either the PO or non-PO business.

Figure A-2: Count of respondents with different numbers of PO and Non-PO staff

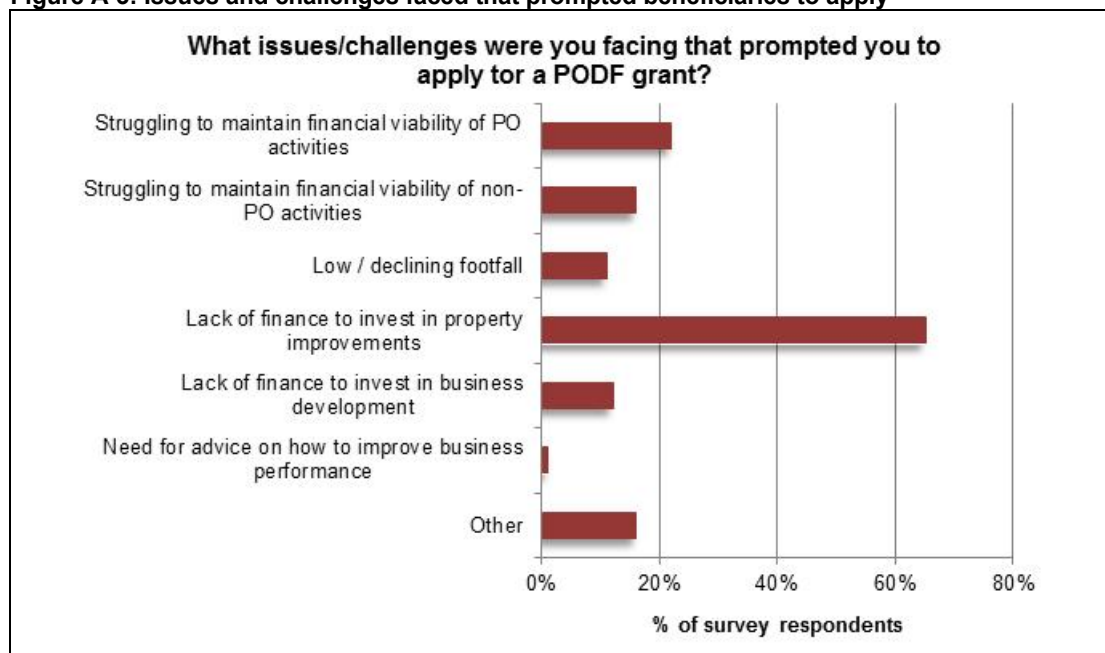


Source: SQW analysis based on beneficiary survey. For the purpose of the analysis, it was assumed that part-time staff worked 2.5 days per week. n=144

Rationale and objectives

- A.6 The majority of respondents lacked resources to invest in property improvements, which prompted their grant application (Figure A-3). Interestingly, fewer respondents were struggling to maintain the financial viability of their non-PO activities compared to their PO businesses.

Figure A-3: Issues and challenges faced that prompted beneficiaries to apply



Source: SQW analysis based on beneficiary survey. Respondents were able to provide multiple answers. Base: n=144

- A.7 In terms of **aims or objectives**, most wanted to improve the viability and/or sustainability of existing non-PO business (90% of respondents), followed by more efficient PO working (79%). Other reasons each mentioned by over 60% of respondents included:

- provision of new/extended services to local community, including access to financial activities;
- diversify to introduce new (non-PO) activities to improve the viability and/or sustainability of the PO activities.

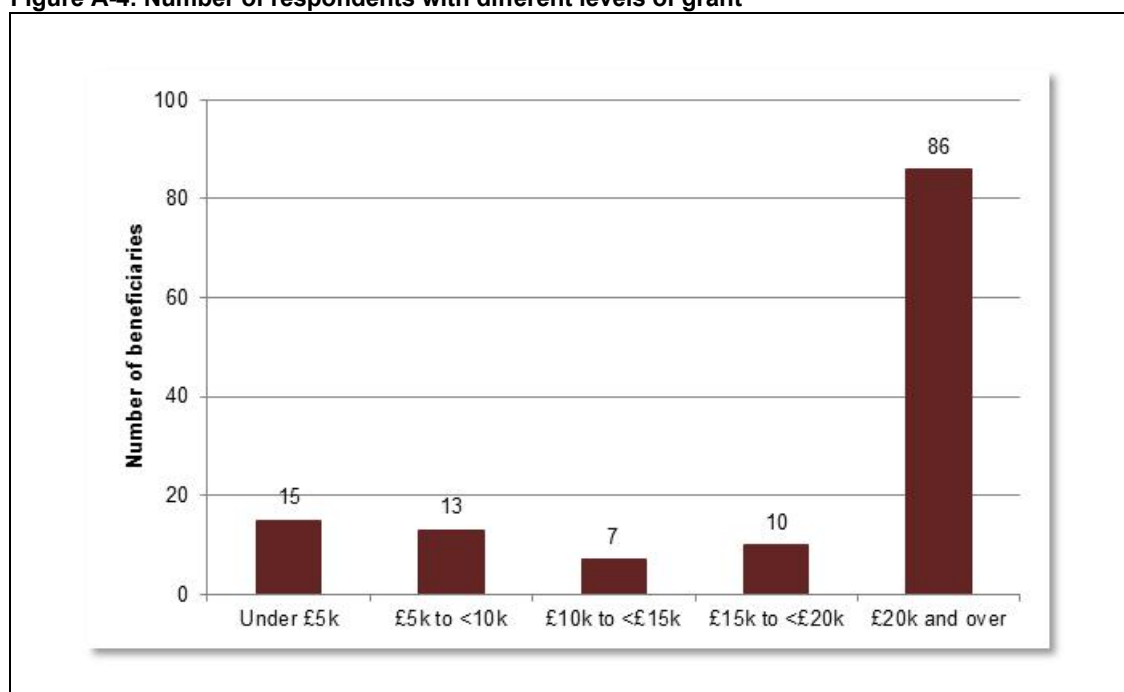
- A.8 Other aims included increasing disabled access, saving/creating jobs, better working conditions, cosmetic improvements to the PO and increasing customer footfall.

Activities and processes

Grants received

- A.9 The **amount of funding received from the PODF** ranged from £1,300 to £22,000²⁷ for capital grants and £400 to £15,000²⁸ for the revenue grants. A total of 68 received the highest capital grant of £20,000, representing 50% of all the capital grants awarded. The average capital grant was around £15,200 and £9,300 for revenue grants.
- A.10 Some 44% of the beneficiaries received their first grant in 2009 while 56% received it in 2010. Five respondents received more than one capital grant, and one respondent received three grants.

Figure A-4: Number of respondents with different levels of grant



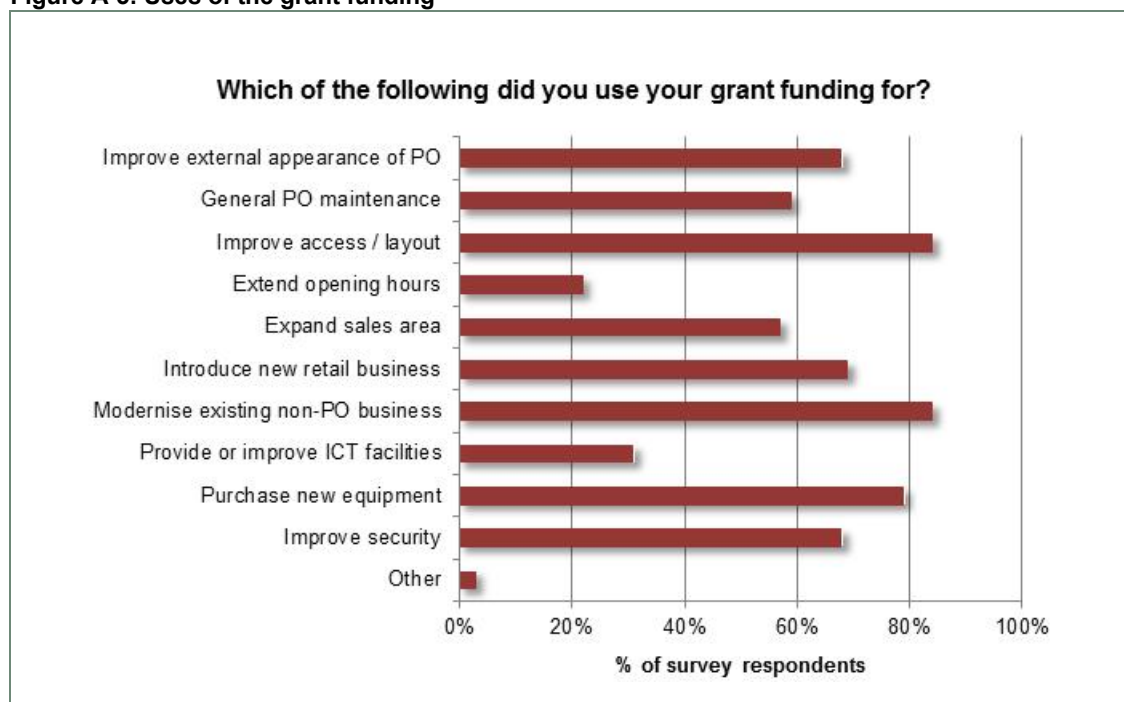
Source: SQW analysis based on beneficiary survey. Figures are based on total amounts that beneficiaries received over the course of the grant award rounds. n=131

- A.11 The highest number of SPMs interviewed used grants to improve access and layout, modernise existing non-PO businesses, and purchase new equipment (see Figure A5).

²⁷ Five responses were excluded from the analysis because they were higher than the cap of £20,000 and incorrect when cross-checked with a database provided by the Welsh Government.

²⁸ One response was excluded as it was more than the upper limit possible for revenue grants.

Figure A-5: Uses of the grant funding



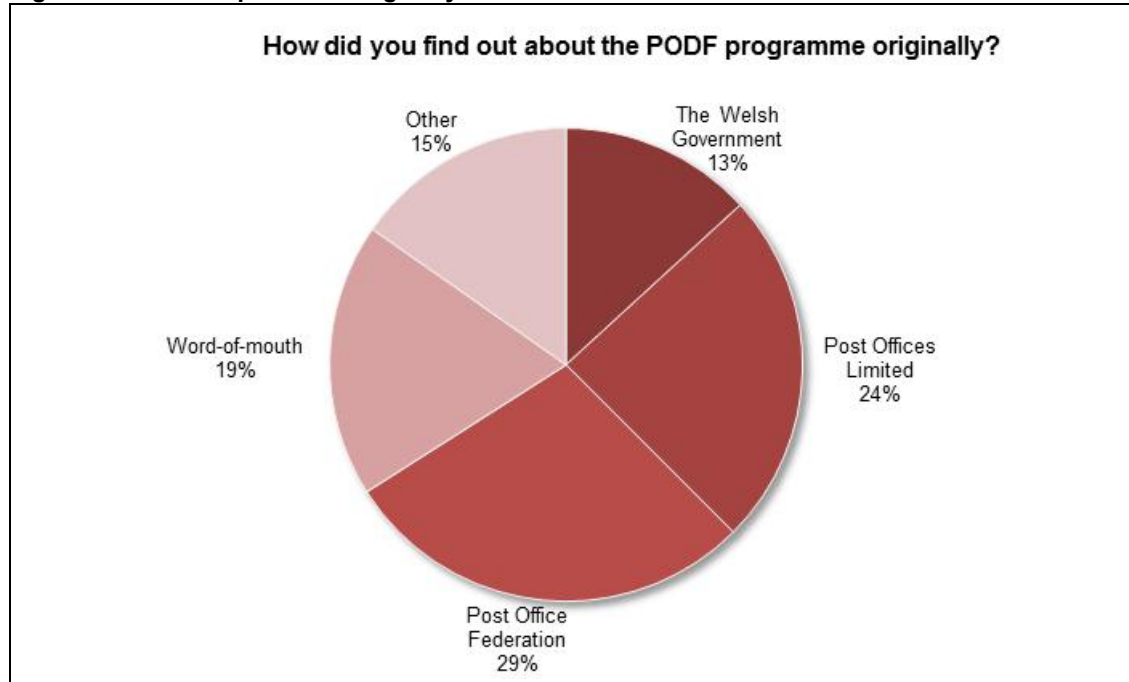
Source: SQW analysis based on beneficiary survey. Respondents were able to have multiple responses. n=144

A.12 Almost three-quarters (72%) of beneficiaries **contributed financially towards the cost of diversification (from personal funds)**, which amounted to just over £1.5m. The Welsh Government awarded a total of about £2.5m to the beneficiaries sampled (62% of all the money spent on the projects sampled). The average contribution by SPMs was £16,700.

Feedback on processes

A.13 Post Office Ltd and the National Federation of Sub-Postmasters were most commonly identified as the source of information on the PODF (especially written material such as magazines). None of the POs were referred from another support programme. Other ways in which respondents found out about the programme included the Welsh Government, non-specialised newspapers and magazines, and a local council.

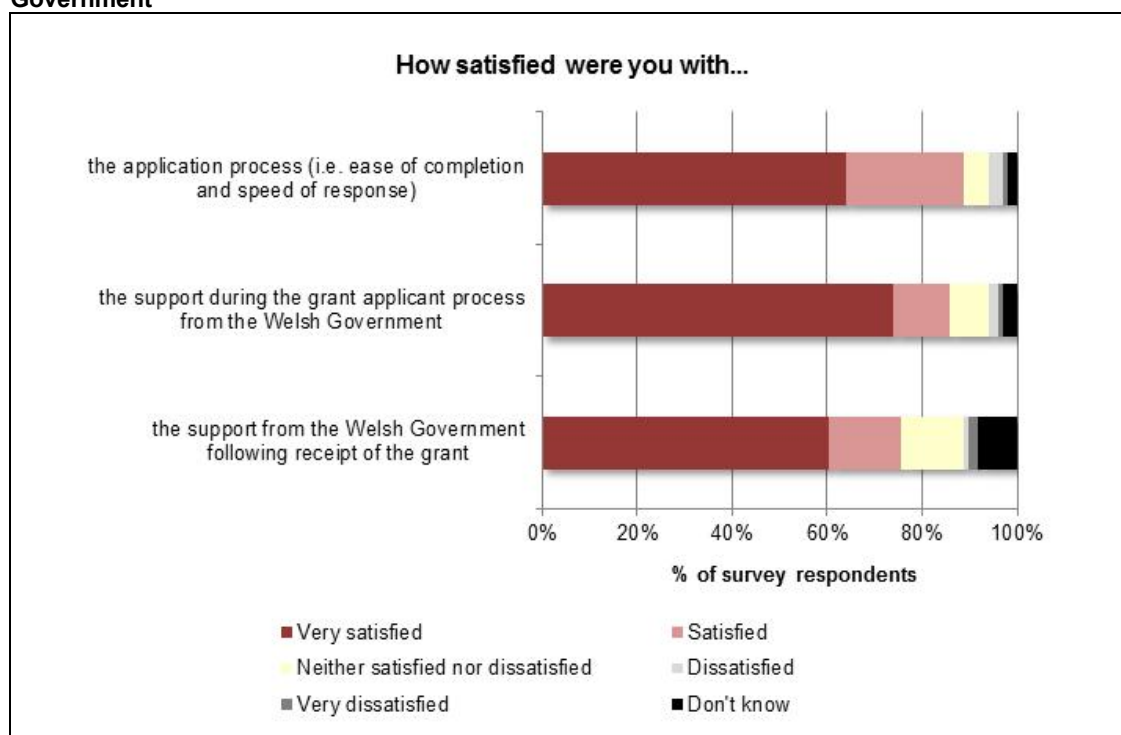
Figure A-6: How respondents originally found out about the PODF



Source: SQW analysis based on beneficiary survey. n=144

- A.14 Recipients of the grant thought that **the PODF was well matched to their specific needs**: 94% of those sampled thought that the programme was 'well aligned' or 'very well' aligned with their needs. They also showed a high level of satisfaction with **the whole application process including support from the Welsh Government** (before and after receipt of the grant) – see Figure A-7.

Figure A-7: Degree of satisfaction with the application process and support from the Welsh Government



Source: SQW analysis based on beneficiary survey. n=144

Other support

- A.15 10% of POs surveyed **received extra support at the same time as or linked to receiving the PODF grant**, which comprised of funding (e.g. from a local authority, the Welsh Government or the Big Lottery Fund), with the other half involving business support. None of the respondents thought that they **could have found similar support to the PODF elsewhere**, either from the public or private sectors.

Outcomes and impacts

Outcomes and impacts for the business

- A.16 Respondents generally thought that the PODF had a **positive impact on their businesses**, including:
- greater confidence by the SPM in their business prospects (88% of respondents);
 - improved the commercial viability and/or sustainability of non-PO business activities (83%);

- improved the commercial viability and/or sustainability of PO activities (78%).

A.17 For those respondents who were able to provide a percentage (66 and 53 respondents respectively – a small proportion of beneficiaries), the average increase in footfall was 11% while the average increase in turnover was 15%. Out of those that had noted an impact, the majority thought that the grant had wholly or partially contributed to improving the commercial viability of PO and non-PO business activities.

Table A-1: Survey results - quantified impacts

		Absolute increase (before → after receiving the grant)	Percentage increase (before → after receiving the grant)
Footfall	Minimum value observed by a survey respondent	20	2%
	Maximum value observed by a survey respondent	59,000	80%
	Median value	225	11%
	n (number of respondents that gave evidence)	14	66
Non-PO turnover	Minimum value observed by a survey respondent	£15	1%
	Maximum value observed by a survey respondent	£40,000	100%
	Median value	£865	15%
	n (number of respondents that gave evidence)	20	53
Non-PO profitability	Minimum value observed by a survey respondent	£5	1%
	Maximum value observed by a survey respondent	£19,500	100%
	Median value	£55	12%
	n (number of respondents that gave evidence)	7	50
Jobs created	Minimum value observed by a survey respondent	1	2%

		Absolute increase (before → after receiving the grant)	Percentage increase (before → after receiving the grant)
	Maximum value observed by a survey respondent	8	100%
	Median value	1	32%
	n (number of respondents that gave evidence)	48	8

Source: SQW analysis of beneficiary survey results. Only respondents that thought there had been an impact then went on to quantify the impact and some respondents provided both an absolute number and a percentage.

A.18 When asked to **explain how their business had benefited**, many beneficiaries reported feeling more stable and safe in their work, longer PO opening hours, and a more pleasant working environment.

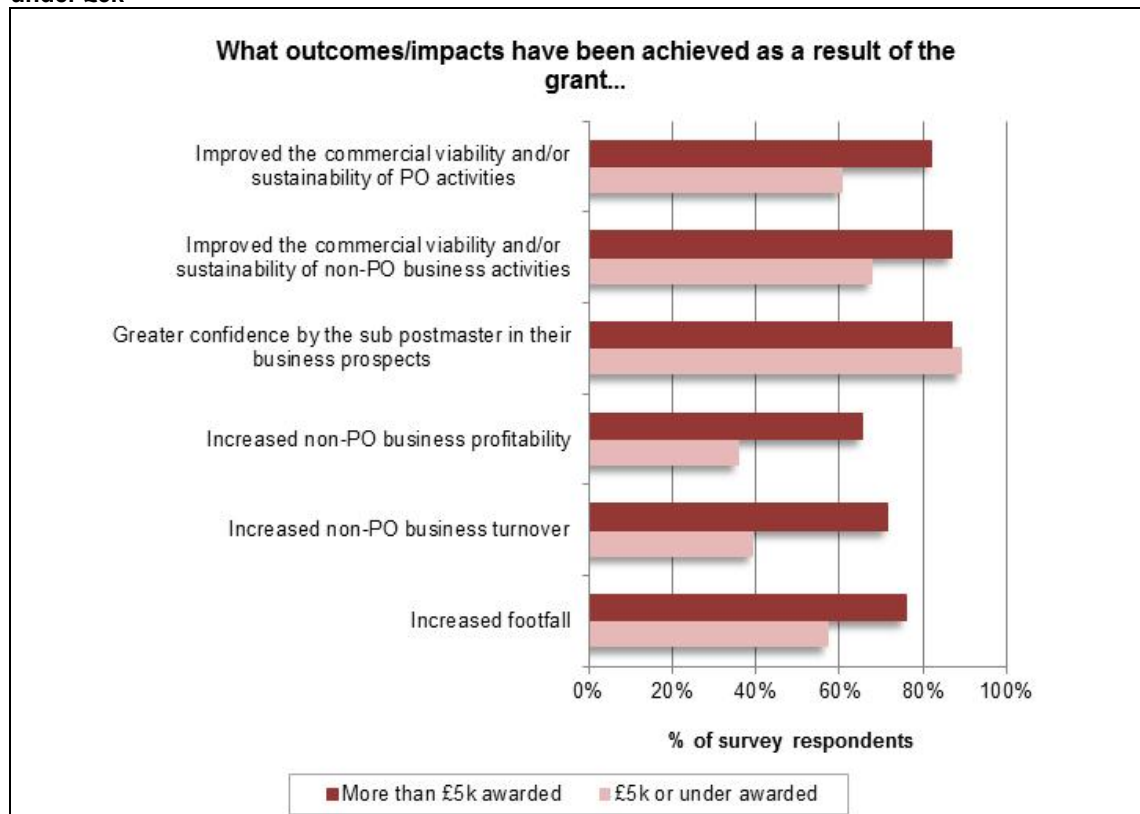
Table A-2: Examples of how businesses benefited

<p>Greater confidence in their business prospects:</p> <p>“We provide a more efficient service, and the image of the business is generally better”.</p> <p>“There are extra opportunities for POs services at weekends”.</p> <p>“We have more new people coming into the PO as a result of the refurbishment”.</p> <p>“It's given me confidence that the business itself is still viable and is being updated and improved and modernised”.</p> <p>“I have more confidence because I have more time to spend speaking to customers seeing what they want and the shop is brighter and happier in general”.</p> <p>“I don't feel quite threatened as before now we have CCTV”.</p> <p>“We were struggling before, the future wasn't bright, the grant has helped me change the direction of the business”.</p> <p>“I think maybe the staff feel better about the working environment”.</p> <p>“Having a strong and viable PO has attracted others in the town centre such as a bathroom unit and new restaurant”.</p> <p>Improved the commercial viability and/or sustainability of non-PO business:</p> <p>“Because they have the withdrawal of cash locally they will spend money locally”.</p> <p>“We're able to display more merchandise in the shop”.</p> <p>“The photocopier has brought a lot of business in”.</p> <p>Improved the commercial viability and/or sustainability of PO business:</p> <p>“The increase in retail business safeguards the PO business”.</p> <p>“It's made it more viable because we're selling more, the shop side means more people are using the PO”.</p>

Source: SQW based on beneficiary survey

A.19 A higher proportion of beneficiaries of larger grants (£5,000+) reported positive impacts to their business compared to those awarded smaller grants (under £5,000) – see Figure A-8. As an exception, ‘having greater confidence in business prospects’ produced similar results for both groups of respondents.

Figure A-8: A comparison of outcomes and impacts on the business for those receiving over and under £5k

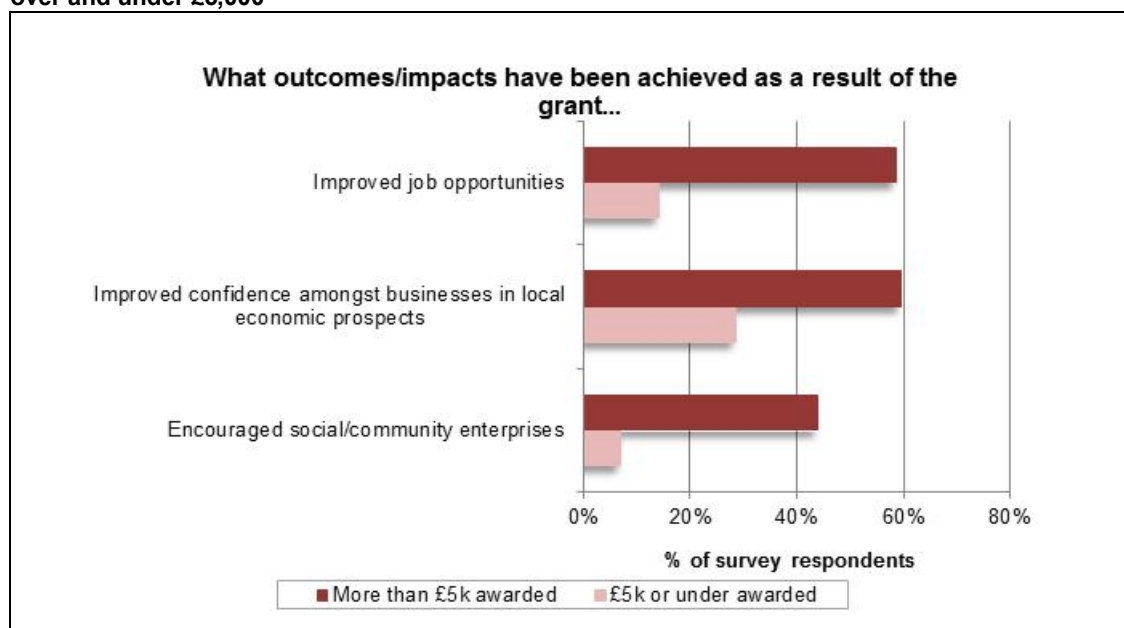


Source: SQW analysis based on beneficiary survey. n=144

Outcomes and impacts for the wider economy

A.20 Those awarded grants below £5,000 were far less likely to observe impacts on the economy (see Figure A-9). Most of these beneficiaries did not think that the grant had improved job opportunities or had encouraged social or community enterprises (86% and 93% respectively).

Figure A-9: A comparison of outcomes and impacts on the wider economy for those receiving over and under £5,000



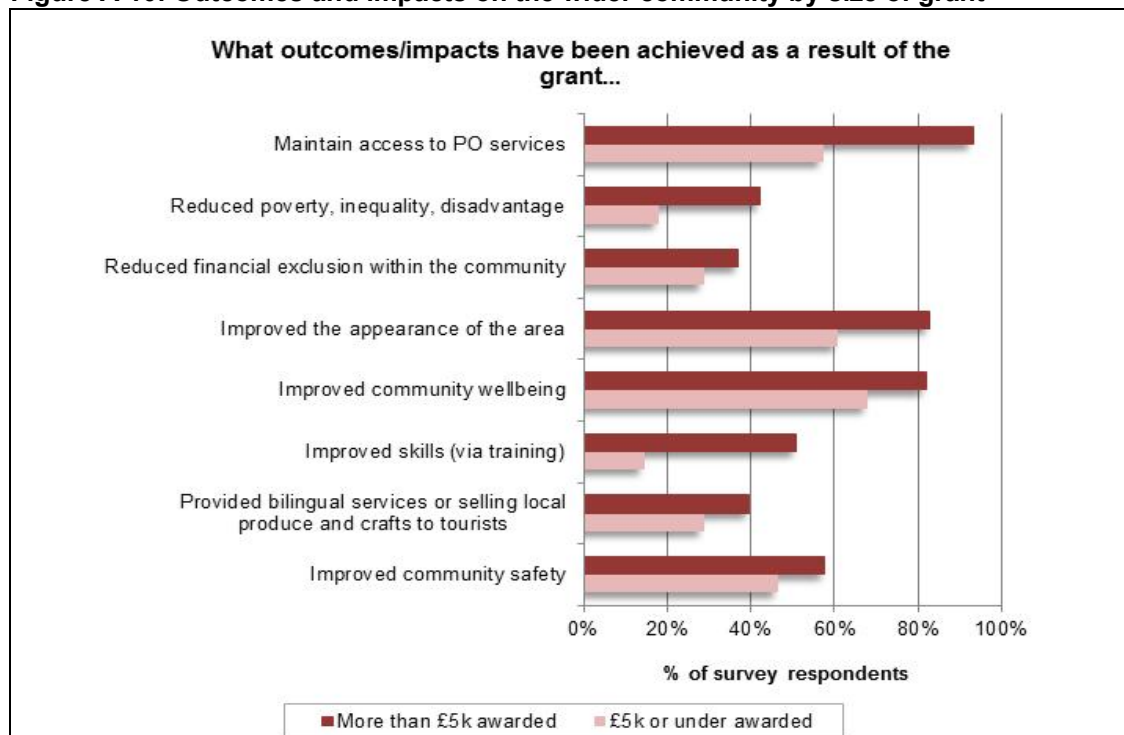
Source: SQW analysis based on beneficiary survey. n=144

A.21 Some SPMs reported that as their business had increased, other businesses in the locality had also benefited, through more people visiting the area, giving businesses added confidence in the area, or through using local suppliers for non-PO business activities.

Outcomes and impacts for the wider community

A.22 **Impacts for the wider community** most commonly identified were the continuation of access to PO services (86%), improving community wellbeing (79%) and improving the appearance of the area (78%). Beneficiaries were less likely to think that financial exclusion (35%) and poverty, inequality and disadvantage (38%) had reduced as a result of the grant (see Figure A-10).

Figure A-10: Outcomes and impacts on the wider community by size of grant



Source: SQW analysis based on beneficiary survey. n=144

A.23 Table A-3 gives examples of ways in which the beneficiaries sampled thought that they had benefited their communities.

Table A-3: Examples of how the grant has benefited the community

- Maintaining services for those that are in poverty (so they do not have to pay for transport elsewhere)
- Training new staff for the non-PO businesses (e.g. catering, food hygiene, IT skills)
- Local clubs and groups using the café
- A fruit co-op for local people
- Improving the experience for customers with disabilities (ramps, counters which allow for wheelchair access)
- Providing access to financial services for those without bank accounts or transport
- Special deals now available for the elderly and families
- Introduction of bilingual members of staff
- Improved security through better lighting, CCTV and alarm systems

Source: Adapted from beneficiary survey

Other outcomes and impacts

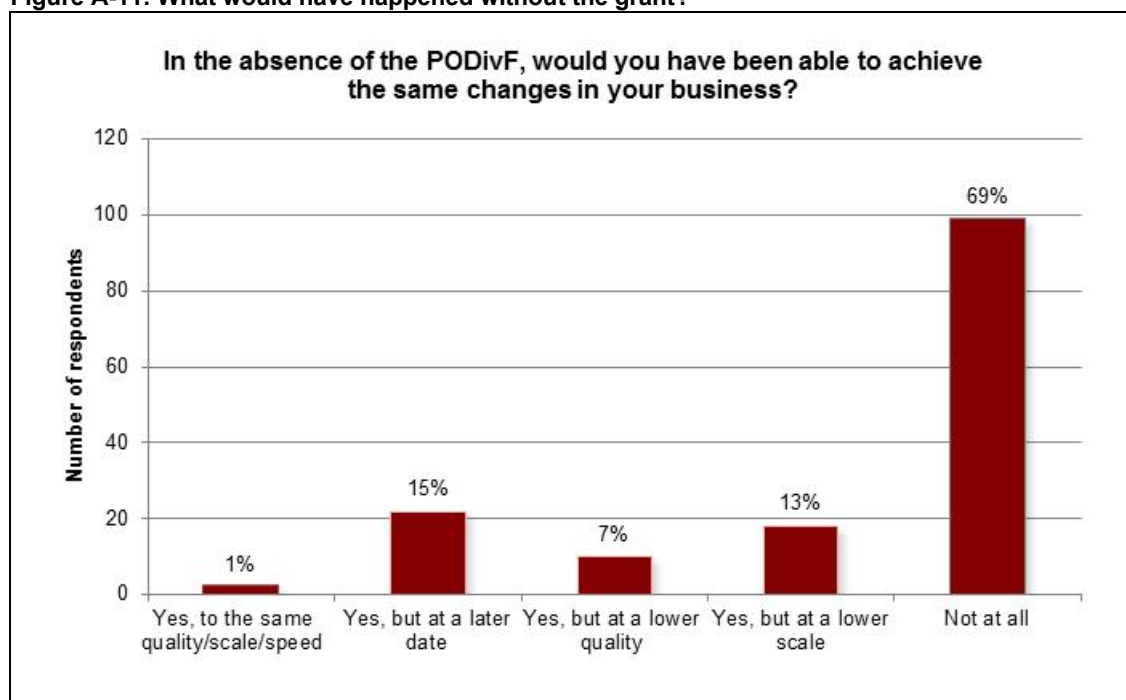
A.24 **Other benefits of the PODF** focused on increased confidence in the viability of the PO and that the future seemed secure. Other benefits that were suggested include:

- having people coming in that had not been seen there before;
- greater appreciation from people of their presence within the community;
- a significant reduction in the amount of shoplifting;
- a more pleasant working environment;
- the grant encouraging future improvements or opportunities, e.g. gaining a website/on-line business.

Additionality and competition

A.25 In the **absence of the PODF**, a considerable majority (69%) claimed that they would not have been able to achieve the same changes at all (see Figure A-11). This contrasted with only 1% claiming that they would have been able to achieve the same changes to the same quality, scale and speed in the absence of the grant.

Figure A-11: What would have happened without the grant?



Source: SQW analysis based on beneficiary survey. n=144

- A.26 Those that received a grant under £5,000 were over 60% more likely to think they would have partially achieved the changes (at a later date, lower quality or lower scale) in the absence of the grant compared to those receiving over £5,000.
- A.27 When asked about **the location of competitors to non-PO activities**, the majority of beneficiaries surveyed had competitors to their non-PO businesses within a one mile radius (52%). Only 3% of those sampled had no competitors within 10 miles of the PO.

Future and Sustainability

- A.28 A considerable proportion of the beneficiaries surveyed (72%) did not think that the **programme could be improved in any way, if the programme re-launched in future**. Suggestions for improvement are summarised in Table A-4.

Table A-4: Suggestions for improvements to the Diversification Fund

Grant application process	Focus of the grant
<ul style="list-style-type: none"> • Publicising the grant more. • Simplifying and shortening the form (using less jargon) and making it less repetitive. • Providing guidance on where SPMs can get support and advice to help complete the application. • Advice on what exactly you could claim for, especially using revenue funding. • Speeding up the time between applying and finding out about the grant award. • Longer timescales for applying (to enable SPMs to develop ideas for diversification). • Improvements in communication, e.g. quickly letting POs know that the revenue grant offer had been withdrawn. 	<ul style="list-style-type: none"> • Increasing the amount that could be awarded in capital grants as the upper limit was too low. • It was thought the Fund could be wasted unless the government sorts out the root of the problem which is the fall in PO work.

Source: Based on beneficiary survey

- A.29 Around a third (35%) of respondents said that they would require **PODF support in future**, with a further 43% answering 'maybe' to this question. A total of 22% would not require any additional support. For those that answered 'yes' or 'maybe', beneficiaries thought that they would need support for the following:

Table A-5: Future grant support needs

Improvements to premises	Diversification
<ul style="list-style-type: none">• Cosmetic improvements, e.g. new shop fronts, bilingual signage, new PO counters.• Equipment, e.g. Electronic Point of Sale systems, security systems, IT equipment.• Other improvements, such as improved disabled access.	<ul style="list-style-type: none">• Capital, e.g. café, food retail, new lines, ATM machines, space for the provision of financial advice to customers.• Other activities, e.g. internet café, beauticians, fishmongers, photography, garden centres.• Revenue, e.g. marketing, websites, staff training.

Source: SQW based on beneficiary survey

Annex B: Unsuccessful Applicants and Non-Beneficiaries – detailed survey analysis

- B.1 In addition to the survey of successful PODF grant beneficiaries, two further surveys were also conducted: one with 28 unsuccessful PODF applicants and another with 28 non-applicants in order to assess the counterfactual (i.e. what non-beneficiaries managed to achieve in terms of diversification without the grant).

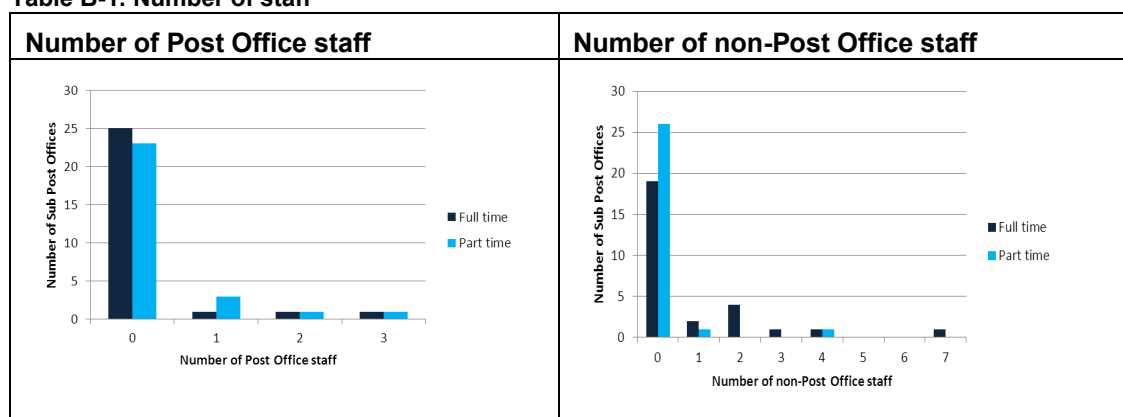
Unsuccessful applicants

- B.2 During Rounds 1 to 4, there were a total of 109 unsuccessful applications, but 51 of these then went on to be successful in subsequent funding rounds. From the 58 applicants that remained entirely unsuccessful in their bid for funding a random sample of 28 were selected for the survey.

Profile of post offices

- B.3 Over a third of unsuccessful SPMs surveyed were convenience or grocery stores. The selling of cards and stationery was by far the most common non-PO activity, with other activities including confectionery, gifts, toys, a newsagents, an off-licence, a tobacconist and photocopier.
- B.4 Again, most POs were very small and did not employ other staff (Table B-1).

Table B-1: Number of staff



Source: SQW analysis of unsuccessful applicant survey

Application process

- B.5 The unsuccessful applicants were asked what **issues or challenges they were facing that prompted them to apply** for a PODF grant, and the most

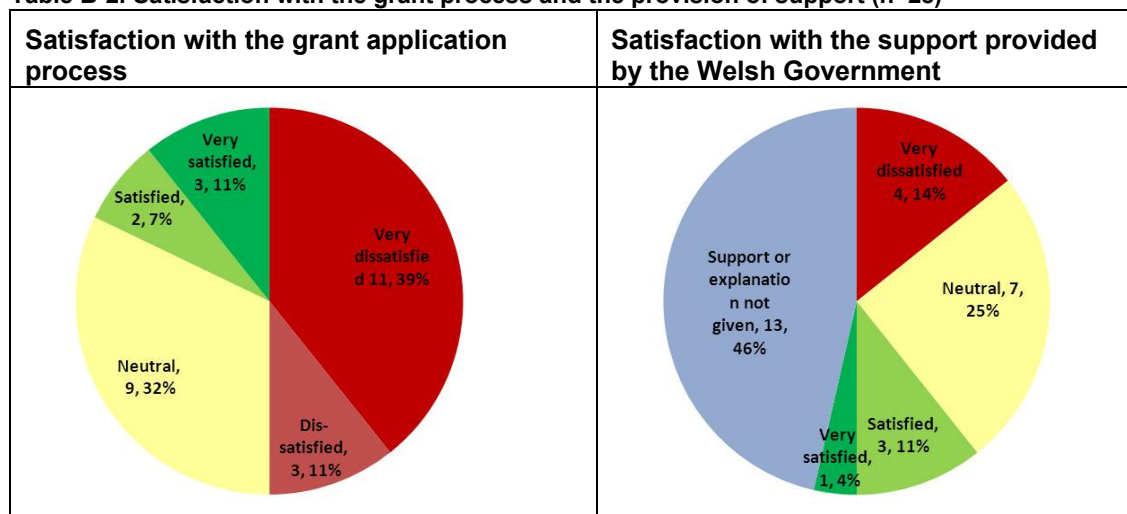
common response (82%) was lack of finance to invest in property improvements. Only two SPMs said that lack of finances to invest in business development was a catalyst for them applying for the grant. In terms of financial viability, only two SPMs were struggling to maintain the financial viability of their PO activities. Lack of or declining footfall did not appear to be a significant problem. Other reasons given for applying for the PODF were to assist in the provision of better products and services and security.

B.6 In terms of the proposed use of the PODF:

- over 90% of unsuccessful applicants said that they wanted to achieve more efficient PO working;
- around 70% wanted to provide new services to the community and improve the viability and sustainability of existing non-PO business;
- over 60% wanted to provide community access to financial services and extend the services they could offer to local communities;
- almost 60% said that they wanted to use the grant to diversify and introduce new non-PO related business activity to improve the viability and sustainability their existing non- PO business;
- other anticipated uses of the grant included improvements for disabled access and refurbishment and modernisation.

B.7 In general, unsuccessful applicants gave somewhat negative feedback on application processes, as might be expected.

Table B-2: Satisfaction with the grant process and the provision of support (n=28)



Source: SQW analysis of unsuccessful applicant survey

B.8 A quarter of applicants stated that their applications were unsuccessful because the intended use did not meet the PODF criteria and 14% had failed to provide enough information in the application form. Over a third (36%) of applicants stated that they were not provided with a reason for the failure of their application, a further 14% could not remember the explanation they were provided with at the time.

Subsequent actions and implications

B.9 Following their unsuccessful application, the majority of the applicants surveyed (68%) failed to change their business in any way. Just over a fifth went on to make some changes to their business, albeit at a lower scale (around 80% less in most cases). Two SPMs stated that although they did go on to make changes, these were at a lower quality than they would have been able to achieve had they been successful. A further 11% intend to make changes at a later date (3 to 9 months later).

B.10 Of the 9 (32%) that went on to make changes to their businesses anyway, 8 did not receive support from anywhere else. The support received by 1 SPM was minimal (help with layout of the premises), but did help them to achieve the same result as they would have achieved with the grant, albeit at a later date (6 months), lower quality and lower scale (80% less).

B.11 Surprisingly, only one claimed that the changes made to their business were in relation to the provision of new services to the local community. Other improvements made included external painting, disabled access, new security systems, refurbishment and renovation.

B.12 The SPMs were asked what they considered the implications of not receiving the grant had been on their business. Eight applicants felt that their turnover was below what it could have been, and five claimed that it has fallen as a result (one SPM was able to quantify this as a loss of £1,500 per week). Four SPMs considered the viability of the PO-side of the business to have reduced. In terms of non-PO activity, one SPM felt that there had been an effect on the viability of the business as a result of not getting the grant; another commented on the viability of their non-PO activities being constrained as they were unable to expand their products as they had wished.

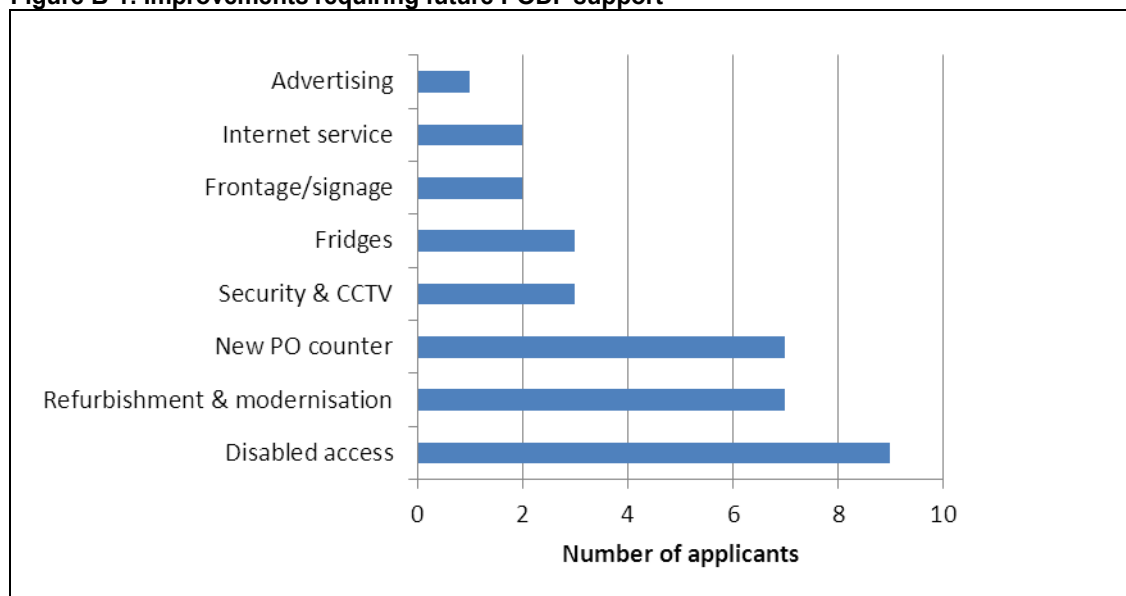
B.13 Other implications of not being successful in their grant applications included:

- a reduction in staff morale;
- security concerns;
- customer complaints around access;

- restriction on the services offered to the community;
- inability to respond to customers' requests for new products and services;
- lack of confidence in applying for further business support.

B.14 Three-quarters of the unsuccessful applicants surveyed anticipate that they will require PODF support in the future, and 18% might require support in the future. Examples of future needs are presented in Figure B-1.

Figure B-1: Improvements requiring future PODF support



Source: SQW analysis of unsuccessful applicant survey

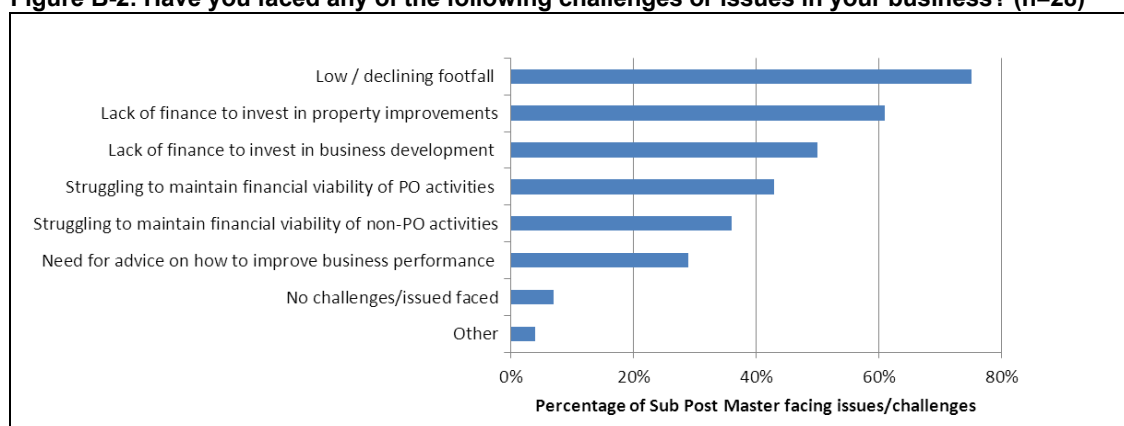
Non-applicants

B.15 A comprehensive list of all of the SPMs in Wales was obtained from the National Federation of Sub-Postmasters from which non-applicants were identified. A random sample of 28 SPMs were selected from this list.

B.16 The majority (82%) of non-applicants were aware of the PODF, but 30% felt that it was not needed or not relevant to their business, with a further 17% being put off by the perceived burden/difficulties associated with the application process. The remaining 57% stated a variety of reasons for not applying for the grant, including the perception that 50% of match funding was required or that PODeVF beneficiaries were not eligible to apply.

- B.17 Of the 5 non-applicants that were not aware of the PODF, four stated that they would have applied had they known of its existence.
- B.18 Three-quarters of those surveyed had been experiencing low or declining footfall, over 60% did not have the finances to invest in property improvements to their POs and half lacked the finances to invest in business development. Rather worryingly, although not unexpected given the rationale for the PODF, 43% of the SPMs surveyed said that they were struggling to maintain the financial viability of their PO services and over a third (36%) were also struggling to maintain the financial viability of their non-PO services. The need for advice on how to improve business was recognised by almost 30% of non-applicant SPMs.

Figure B-2: Have you faced any of the following challenges or issues in your business? (n=28)



Source: SQW analysis of non-applicant survey

- B.19 Over half of the non-applicants have not responded to the challenges above in any way. However, almost 20% had invested in PO and non-PO services using their own personal or business funds (e.g. the Welsh Government's Business Development Fund and Post Office Limited support) to do so.
- B.20 Half of the respondents did not believe that receipt of a PODF grant would have made a difference to their ability to respond to the challenges faced. However, 31% of respondents believed that it would have enabled them to implement a higher quality response to the challenges being faced resulting in greater benefit for the local community and businesses, 15% believed that the challenges would have been addressed at a greater scale (25% to 30% greater), whilst only 8% thought that the challenges would have been addressed more quickly.
- B.21 Finally, the SPMs were asked if they would require PODF support in the future: 43% stated that they would, a further 39% thought they might, and the remaining 18% said that they would not require support. Types of support that might be required are displayed in Table B-3.

Table B-3: Future PODF support requirements

Will require future support for:
External lighting and automatic door for disabled access.
Printers, shutters and CCTV.
New signage and flooring.
Expansion of retail goods and photo machine.
Extension of PO and non-PO goods , plus employment of an additional member of staff to enable longer opening hours.
Advertising.
Shop refurbishment including new windows.
Redesign layout and improvements to disabled access.
New fridges and air conditioning.
External redecoration.

Source: SQW analysis of non-applicant survey

Annex C: Case Studies

Case Study 1: Glais Post Office

Introduction

- C.1 Glais Post Office is located on the main street of Glais, a semi-rural village some six miles north-east of the centre of Swansea. In addition to the post office, the premises contain a village shop selling food, beverages, newspapers, magazines and other everyday goods. The post office and shop serves the village of Glais, with a population of around 600. While a couple of public houses serving food are located in the village and there is a butcher a mile away, all the other shops in Glais have now closed, many between five to 10 years ago. The store is now the only one of its kind in the village, with the main alternative shopping areas located in Clydach or Morriston, both a bus or car ride away. Before the grant award, the shop had not received any major refurbishments during that time, and indeed for many years prior to its arrival.
- 
- C.2 In 2009, Glais Post Office received a capital grant of under £20,000 from the Welsh Assembly Government (now the Welsh Government) for a number of different improvements including cosmetic improvements and diversification into a range of baked goods and chilled foods and drinks.
- C.3 In 2010, Glais Post Office, along with four other post offices in Wales, held a focus group and took part in a short case study on the improvements to the post office. This appeared in an advice guide for SPMs by Consumer Focus Wales, with the case study results summarised in Figure C-1²⁹.

²⁹ Consumer Focus Wales (2010) *Post Office diversification – A good practice guide for sub-postmasters*. Available at: <http://www.consumerfocus.org.uk/wales/files/2010/10/Good-practice-guide-WEB-FILE1.pdf>

Figure C-1: Details of Consumer Focus Wales Glais case study

Views of the SPM:

- “The before and after was quite dramatic in terms of the initial impact when you walk in the shop...the shop opens out around you – it looks bigger and more inviting”.
- “Things have turned out slightly better than we had thought - we based the financial side of it on a certain turnover and we’re at least achieving that – probably 50% more”.

Views of customers:

- “I see workmen coming to get pasties – vans drive up – so they’re getting more trade which has been an advantage for the shop”.

Source: Consumer Focus Wales (2010)

Feedback from Postmasters

Rationale and objectives

C.4 The SPM of Glais Post Office applied for a grant from the Welsh Assembly Government because the shop had not had a substantial refurbishment for around 16 years. The inside and layout of the shop was looking very tired and the unattractive strip lighting and worn floor made the shop look old and uninviting.

C.5 External funding was seen to be essential because the income from the post office and village shop did not at this time support the scale of renovation that was needed to modernise the space. If the owners had decided to diversify without help, they would have had to save up over a number of years before being able to initiate the changes.

C.6 Diversification to the provision of fresh bread and pies was chosen because it would appeal to many of the local customers. The increase in choice was seen to be especially beneficial for the elderly, who might not have had easy access to these products otherwise. An alternative option considered had been an extension to the shop, but this would have



given the shop a strange layout, so was rejected. In any case, it would have probably cost more than the £20,000 cap set on the capital grant.

C.7 By receiving funding, the main objective was to generate more interest in the post office and make the environment more pleasant for shoppers. It was to “give people another reason to walk through the door”. Moreover, the SPM wanted to benefit the community, by providing a community noticeboard for

residents to publicise local news and events and by smartening up the front of the shop, thereby improving Glais.

Grant funding process

- C.8 The grant was spent on a number of different items, in line with the grant application form:
- a bakery (a cabinet at the shop counter containing breaded goods and pies);
 - a chiller cabinet for perishable goods and a freezer;
 - improved lighting;
 - improvements to the front of the store, including renovation of the door and introduction of a noticeboard.
- C.9 The principal expenditure was on the freezer and chiller cabinets, the door and new lighting. In addition to this sum, the owners also contributed some of their own money (some £1,000) so that a new floor could be fitted at the same time as the other works.
- C.10 Apart from the PODF grant, the owners did not receive any other support. The SPM was not aware of support from other sources for this kind of investment, apart from the Carbon Trust's grants for energy efficiency measures. This is on a much smaller scale, however, and would not have paid for diversification into new products.
- C.11 The SPM found the process of applying for the grant very straightforward. He completed and sent in an application form in April 2009, received confirmation that WAG had received it, and then did not hear anything until he was awarded the grant some months later in August. He commented that although they had to wait some time to know, once they had heard that they were to receive the grant, the money was issued quickly and work started in a matter of weeks.
- C.12 Although the SPM did not feel he needed support from WAG since he had a firm idea of what changes he wanted, he thought that it may have been beneficial for some post offices to receive on-site advice about diversification options and what WAG were looking for in their applications.

Outcomes and impacts

Impacts on the business

- C.13 Subsequent to the changes, the SPM has noticed a marked increase in customer footfall, not necessarily to the post office section, but to the village shop. These effects were immediate: the number of customers picked up straightaway as word got around of the improvements. The turnover and profits of the shop have also increased (an increase in net profits of about 50%). This increase is better than the owners had expected when they initially applied for the grant.
- C.14 The only negative impact of the diversification, according to the SPM, has been the fact that the temperature in the shop is much hotter due to the heat emitted from the back of the chiller unit. In order to combat this, the owners have had to turn off some of the lights in summer, but in hindsight, they think it may have been better to install air conditioning at the same time as the other changes.
- C.15 The impacts can be attributed to the grant since they would not have happened all in one go without it, and therefore would not have had such an immediate and powerful impact. Although the floor would have been replaced immediately due to its poor condition, the other changes would have likely occurred in the space of three to four years, and some of them may not have happened at all.

Impacts on the local community

- C.16 In terms of the benefits for the community, local residents now have a better shopping environment and the improved appearance has had a positive impact on the experience of those using the post office services as well. The community also has a greater choice of products to buy which is particularly important given the lack of other shops in Glais.
- C.17 The external appearance of the shop has improved the village. The noticeboard has become a focal point of news as people can advertise events and meetings. This is helping to create a greater sense of community in Glais.

Impacts on the local economy

- C.18 The main benefit has been to help protect the jobs of the SPM and the shop manager by making the whole operation more financially attractive. In addition, the works that were undertaken used local tradesmen. No negative

outcomes or impacts were thought to have arisen, e.g. on other businesses in the area, since this is the only shop and post office in the community.

The future of Glais Post Office and funding

- C.19 After nine years of running the post office, the owners have now put the premises up for sale. While this decision is unrelated to the financial viability of the post office and is more a reflection of the owners wanting a change, this leads to some uncertainty about the existence of the post office and shop in the future. A buyer of the post office has yet to be found; however, since the premises are already set up to house a post office and shop, as a focal point of the village, it is likely that future owners will provide similar services.
- C.20 The SPM does not envisage requiring extra funding in the short term since the improvements that have been made are still having an impact. If the PODF were to continue, the postmaster thought that an increase to the £20,000 limit on the capital grant might be beneficial for those contemplating more ambitious diversification plans. If they had opted for an extension, for example, then this would probably have cost more than the upper limit.

Feedback from community members and community representatives

Benefits to customers, the wider community and the local economy

- C.21 Community members found that the everyday shopping experience has improved as a result of the grant, with customers highlighting the fact that there seemed to be more space, a better layout and more privacy when using the post office services. Prior to the changes, some customers claimed that they did not use the shop and post office much as the shop looked a “sad place”, but were now regular customers. Another customer thought that it encouraged people to buy more locally, cutting down people’s transport carbon footprint.
- C.22 The changes have resulted in an increased choice for residents of Glais, who can now buy food, such as pies, locally. The freezer section is very popular with local children for ice cream. Local residents have also noticed an increased number of workmen stopping at the shop for provisions, attributing this to the wider array of stock. Customers particularly appreciate the helpful service of being able to order what they want from the bakery counter the day before.
- C.23 Many residents of Glais are elderly and some are without cars and have difficulties with mobility. The diversification to bread and pies is particularly of

benefit to these customers who otherwise would have to use public transport or rely on neighbours to obtain similar products. Elderly residents rely hugely on the shop and find it very convenient to have the pies and bread available at walking distance. The fact that buses come into and out of Glais only every two hours makes the changes even more beneficial.

- C.24 It was thought by many that the noticeboard provided a focal point for community activities, bringing people together. Now residents are more aware of what is happening in the area.
- C.25 Although some of the changes may seem small, since this is a shop that many people go to every day, having that extra choice and those little additions which contribute to a more pleasant shopping environment make a big difference to the lives of Glais residents. One resident said that in the entire time of living in the area, she had never seen Glais Post Office looking so good.
- C.26 One customer also thought that the improvements had a knock-on effect on other businesses in the area, as people going to the shop may be more likely to go to restaurants and pubs in the area. The shop sourced their bread from a local bakery, which was also beneficial to the local economy.

The importance of the village shop

- C.27 The existence of the shop was equally, if not more, important to some community members as access to the post office services. The frequent refrain from many of the customers who voiced their views was “we would be lost without it”. As the owners were so welcoming and showed genuine concern for customers, even ringing up regular customers if they had not been in for a couple of days to check that they were alright, the post office and shop was “not just a business, but the hub of the community. It was a place to meet people...an essential part of village life”.
- C.28 Prior to the changes, many residents were concerned that Glais Post Office was threatened by closure. The village had already seen many shops close and residents felt that the post office could be next. One customer commented on what would happen without the shop: “a community without a shop or focal point is a risk of turning into a dormitory village”.
- C.29 After the grant award, customers had noticed that more people tended to visit the shop, which has increased the community’s confidence that Glais will continue to have this local amenity. With these improvements, the future of Glais Post Office seems more assured to the community that relies on it.

Case Study 2: Glyn Valley Post Office

Introduction

- C.30 Glyn Valley Post Office is situated in Glyn Ceiriog in the Glyn Valley near to Chirk and Llangollen. In addition to the post office there is also a gift and toy shop, a café, internet facilities and tourist information. The Post Office secured a grant from the under £20,000 fund (mainly capital, but some revenue funding) from Round 2 of the PODF in December 2009. The initial grant received was used for internal shop fitting, security system, ICT equipment, an external awning and a website. The works were carried out during February 2010.



- C.31 They have recently applied for, and been successful in obtaining, a further grant from the PODF of £1,500 for an ice cream cabinet and cake display fridge.

Feedback from Postmasters

Rationale and objectives

- C.32 A number of issues prompted the SPMs to apply for the PODF grant. Firstly the gift shop area was out of date and not being used, and its design and layout were unsuitable for disabled and pram access. In addition, they had security concerns, having been broken into twice prior to applying for the grant. More generally, the business was suffering from low footfall and a shortage of funds to make the required improvements.
- C.33 Prior to their grant application the SPMs carried out a customer survey to get ideas from the local community about what improvements they would like to see for the post office - a 'better' shop and an IT room were the most popular suggestions. The SPMs considered the possibility of a smaller cheaper refit job using limited profit from the business but considered they would have needed to spend this money on security as that was a more pressing issue given their recent burglaries.
- C.34 Through the grant investment the SPMs wanted to increase the possibility of selling the post office as a viable business when they retire and to boost their salaries in the short-term.

Grant Funding Process

- C.35 The SPMs were very satisfied with the grant application process. They paid £300 (later reclaimed from the grant) for business advice from an adviser recommended by Wrexham Council to assist with completing the application form. The response was slow, taking five months from the submission of the application in July 2009, but turnaround has significantly improved during the subsequent funding round (where they applied in April 2011 and received a response just two months later). The process of receiving the funding involved claiming back invoices, which took around two weeks, so they were initially out of pocket for works done.
- C.36 The Officer at the Welsh Government was very supportive, was the named contact on all of the documentation and was always easy to contact. They appreciated being able to deal with the same person throughout who knew their story. Following the application the support they received was just as good in relation to the claims process.
- C.37 The SPMs also contributed financially towards the diversification from personal funds. They have spent approximately £4,000 on the café, half the computers, fax and photocopier, new post office sign, security door, front door, drive and table and chairs.
- C.38 The SPMs do not think they could have found similar support to the PODF elsewhere from either the public or private sector. However, following the PODF grant they received a Rural Development Programme Business Grant from Wrexham Borough Council for just under £2,000 which they used to replace the till, and to add some shelving, a noticeboard and another computer.
- C.39 The work started as soon as written confirmation of their success in achieving the grant was received. No significant barriers to delivery were experienced with the exception of issues relating to the relaying of the shop. The project took around a month to complete. The bulk of the money was spent on the internal shop fitting and the remainder of the grant was spent on CCTV installation, an external awning, computers, a photocopier and a website.

Outcomes and impacts

- C.40 Thanks to the grant the business stayed stable during 2010 and managed to achieve a 5% increase (in part due to the new café – not grant funded) in turnover the following year (against an industry decline of 10% due to services being lost to Pay Point³⁰). Other factors have however played a negative role

³⁰ A retail network for the convenient payment of household bills and mobile top-ups.

on the extent to which the business has grown since receiving the grant including the closure of the HSBC branch in the village, meaning people go into town to withdraw money – which they then spend there - because their cards are not compatible with the post office system. In addition, two new chain stores have opened up in Oswestry selling children's toys, causing non-post office activity to dip. Previously, there was nowhere else locally to buy toys other than the post office, following the closure of Woolworths which may have inflated sales in the short-term. There has also been uncertainty around post office services, in particular whether or not benefits books were to be replaced with post office card accounts, and as such they could not attract new business. The computers, fax and photocopier do not make money themselves but have increased footfall and spend in other areas of the business such as the café.

- C.41 The investment has delivered against the objectives of the PODF in terms of improving the viability of post office services through both improving the performance of, and diversifying into, non-post office activities. The benefits are expected to last a minimum of 10 years.
- C.42 The project has benefited the local economy by becoming another tourism asset in the Valley. They also support local businesses by selling local eggs, honey, cards, pictures and embroidery. Many local businesses also use the post office for cashing their takings e.g. the local wood mill, Spar, pub and local schools.
- C.43 The community has benefited from the maintained access to their post office services which in turn have reduced financial exclusion in the village, providing access to cash for those banking with banks connected with the post office. They have also helped digital exclusion by providing computer and internet access, as many people higher up in the valley have limited internet access. The post office also provides a social hub for the elderly and mums and toddlers. These benefits are highly attributable to the PODF grant. There have been no negative effects of the grant on the business.
- C.44 Further changes are intended for the business. The SPMs want to extend the café and offer other types of food, and there is already demand from local builders (who frequently use the post office for taxing their vehicles) for a breakfast service! They also want to include an ice cream freezer and cake display stand for which they have already obtained funding through the latest PODF round. In the longer-term the SPMs want to update their IT and tourist information rooms, and potentially rent out space to local businesses.

C.45 In the absence of the fund the SPMs would still have made changes but it would have had to be at a lower scale (75% less), lower specification and would likely have taken ten years to achieve. They would most likely have funded this through business loans if possible.

Future

C.46 If the Programme is re-launched in the future it would be helpful if the grants were larger. However, it is important that the Fund is only granted to those with a strong evidence based business plan, with monitoring criteria attached to justify the grant they have received.

C.47 The SPMs believe that they will require this type of support in the future so that they are able to achieve the remainder of their long-term plan for the business now that the whole building is devoted to the business.

Feedback from community members and community representatives

Awareness and project development

C.48 The community was first aware of the intention to make changes to the post office through the questionnaire that was provided in the shop; however, they did not know that it was connected with any application for grant funding.

Benefits to the individual, wider community and economy

C.49 The project has benefited individuals personally by maintaining their access to post office services, allowing them to deposit and take out money so that they can continue to operate with cash, if they wish, as there is no cash point nearby, saving them from having to travel and reducing the likelihood of getting into debt. Individuals claimed to feel safer since the introduction of CCTV and are pleased with the increased product offer. The gift shop fills a genuine gap and provides a good selection of inexpensive gifts and cards (many of which are locally produced). The tourist information, leaflets and maps have also been useful for the more active members of the community, coupled with real advice from the SPM's own experience of walking in the local area.

C.50 The project has improved the appearance of the area as the shop is now bright and clean. 'It has kept the village alive' and increased camaraderie as local businesses see the village getting better and better, which may encourage other local businesses to invest in the area e.g. new local saddler.

C.51 In terms of the local economy, the project has helped to increase the tourist trade, which in turn may have boosted local employment.

- C.52 There have been no negative effects of the grant on the business. In the absence of the grant the post office would likely have closed as it was so quiet. It would have been a big loss to the local community especially in winter and access to local towns is infrequent and time consuming and costly to drive to. Local businesses all rely heavily on the post office and its closure would have meant a big change in their working practices and substantial inconvenience for those working from home or running eBay businesses.
- C.53 Overall the grant has contributed to the community being a place where people want to live, especially for pensioners, young mums and those of working age who use and need the services the post office provides. People like to deal with people they know who can reassure them and help them to do things.

Future

- C.54 The community of Glyn Valley do believe that there is a need for the provision of similar support for post offices in the future, to act as a catalyst for improving a service that is already there. The type of areas requiring support depends on what other services and amenities are available locally. The kind of support that is required is training and business plan development as well as financial support for capital improvements. A network of some kind is needed for successful and unsuccessful SPMs who have diversified, to mentor other grant recipients. The provision of support could be contributed to by banks that leave the local area without access to financial services as part of their corporate responsibility and to retain their customer base.

Case Study 3: Caerwys Post Office

Introduction

C.55 Caerwys Post Office is located in the town of Caerwys in Flintshire in North Wales. The Post Office sits within the centre of the town accompanied by the award winning Morgan's Pori Gwych butchers and delicatessen, both of which were previously located elsewhere in the town. The Post Office received a total of grant from the under



£20,000 Fund from Round 1 of the Post Office Diversification Fund (PODF) in April 2009, approximately two-thirds of which was capital funding and a third revenue. The Fund was used to re-model the inside of the building, moving the post office element to the centre, significantly reducing its size, so that butchers had sufficient preparation and cold store space and the three businesses were able to function as ergonomically as possible.

Feedback from Postmasters

Rationale and objectives

C.56 Prior to receiving the PODF grant the post office was on the point of closure. It already housed a small café within it, but due to low demand and footfall this was not profitable. At the same time Post Office Ltd (POL) were struggling to take on another SPM following the leaving of the previous SPM. One existing member of staff took on the role temporarily and a meeting was held in the town hall to gather ideas from the community as to how to keep the post office open, and to see if there was any interest from members of the community to take it on. The current SPM decided to take on the post office, as part of the building was already being occupied by his brother's delicatessen. Post Office Ltd – Business Manager for Wales signposted the SPM to the PODF as a way of making the necessary modifications required to keep the post office open and integrate another business successfully into the premises. Prior to the grant application the local butcher announced that he wanted to semi-retire and Mr. Davis who owns the delicatessen decided to buy the butcher out and integrate the butchers into the premises as well, to take advantage of the supply opportunities between the butchers and the delicatessen.

C.57 After deciding to amalgamate the butchers and the delicatessen in to the post office premises no alternatives were considered. Further diversification is

planned for the future such as the inclusion of a chicken rotisserie and more cold room space to hang meat; this is likely to be in the form of an external chiller to the back of the property.

- C.58 From the outset it was hoped that the grant investment would increase footfall, provide a community hub and a 'one stop shop' for the community with the potential of increasing the viability of the post office through providing an increased offer and greater reason to visit.

Process

- C.59 The SPM found the application process straightforward. He received a response in writing three weeks after submitting the bid. Work was always carried out first and then the invoices sent for reimbursement - on average received about a week after sending the invoice. The representative from the Welsh Government was 'extremely helpful' throughout the application process, and was always contactable and happy to answer any queries. Following the application process they were allocated a Claims Officer who was specific to them so that they always spoke to the same person. They were very satisfied with the support received throughout all stages of the process.
- C.60 The grant received paid for 95% of the alterations, with around 5% of the cost of the diversification paid for using personal funds, for the end butchers' counter, as this was required before the grant was secured.
- C.61 Work started on the post office as soon as the grant was received. Around 40% of the grant was used to relocate the post office from the back to the centre of the shop premises. This part of the process was the only challenge encountered as POL had issues with the proposed size of the post office counter and wanted it to include an open top counter with an integrated safe underneath which would not have fitted within the space available. This issue delayed the project by a couple of months and nearly caused it to be abandoned. However, the issue was eventually passed to POL's Head Office who consented for the post office counter to be built according to the original specification.
- C.62 The remaining 60% of the grant was spent on: external signage; a block, mincer and mixer for the butchers; a new sink, larder and fridge for the delicatessen, in accordance with improvements required for environmental health compliance. A website was also designed and launched with part of the grant monies; most of the local businesses have also shown their support for this site.

C.63 With regard to the availability of alternative support, funding from the local authority and/or the Welsh Government for rural businesses would not have been to the same scale or as quickly obtainable, which is why they chose to apply for the PODF as they had a short timescale to secure the purchase of the butchers.

Outcomes and impacts

C.64 The benefits of the project have been significant and began straightaway; there has been a 20% increase in post office turnover since completion of the project in spring 2009. The post office has also gained in stature and is considered unique to the area as it offers both car tax and currency. The non-post office side of the business has grown by an impressive 40% in terms of turnover since mid-2009. The purchase of additional equipment using the grant has enabled them to make a wider selection of products, increasing their product range and consumer choice.

C.65 The SPM considers the majority of the benefits to be attributable to the grant. He believes the butchers may have done alright, but would have taken far longer to reach its current scale of operation, and the post office would more than likely have closed. Other factors that have played a role in the success of the business include the official opening and press coverage and the awards the butchers has achieved for its produce. In addition, four of the post offices in nearby villages have closed over this period which has increased footfall. The SPM intends to do a leaflet drop to capture the additional business from the surrounding area.

C.66 Overall, the SPM believes that the outcomes they have been able to achieve have aligned well with, and deliver against, the objectives of the PODF to improve the viability of post office services by diversifying into attached non-post office businesses.

C.67 Benefits of the project to the local economy include four direct jobs for local residents, the training of a butcher's apprentice, additional business for local businesses, the creation/safeguarding of local jobs through the sourcing of local products and supplies, and the supporting of local eBay businesses by providing them with a vital business service. The website has provided marketing and networking opportunities for around 90% of local businesses in the area. The majority of these benefits are attributable to the grant although it is not clear the extent to which the butcher was already sourcing local products. Other factors that may have influenced the scale of these benefits include local press coverage and the closure of local post offices in the area increasing footfall.

- C.68 The project has benefited the local community by maintaining access to post office services for the local community and further afield, especially for the elderly, local businesses and those with young children as it is costly and inconvenient (due to limited public transport) to go all the way into Holywell. The project has also provided a social hub and allowed the continued provision of financial services, in particular a means of paying utilities as many companies no longer accept cheques. The project has also allowed local schools to visit and learn about where meat comes from and how various meat products are made. The SPM considers all of these benefits to be attributable to the grant with no other influences contributing.
- C.69 Unintended benefits of the project include increased security owing to the remodelling of the premises as the post office is no longer located at the back of the shop with a concealed entrance. In addition the butchers and delicatessen benefit from business rate relief because they are co-located with the post office. As the butchers are open six days a week, the post office is now also open an extra day a week (which the SPM is not paid for) as he believes it should be open when the butchers are open, providing an extended service to the local community.
- C.70 No further changes are planned using the grant as it has been fully exhausted with the activity undertaken to date. However, further diversification is planned, as mentioned above. There have been no disadvantages of the grant to the business.
- C.71 In the absence of the PODF, the SPM believes that the non-post office activities would have been 10% smaller and it would have taken them up to three years longer to achieve these changes.

Future

- C.72 Caerwys Post Office does not think that it will require this type of support in the future as any additional plans are minimal and will be paid for from internal company profits going forward. The SPM does not feel that the programme could be improved in any way, however does think it important for the provision of a designated case officer to be continued.

Feedback from community members and community representatives

Awareness and project development

- C.73 The local community was aware of the plans from the beginning, and was updated on progress through the Caerwys Chronicle newsletter available from within the post office. Although the local community was not consulted on the

proposed plans for the post office, they are happy and think the right and appropriate changes have been made to enable them to keep both a post office and butchers in the village.

Benefits to the individual, wider community and economy

- C.74 The project has personally benefited individuals in the local community through: maintaining access to post office services; allowing them to continue to deal in cash; to get out and meet people; it has provided a 'one stop shop' for many groceries (has provided personal assistance with special dietary requirements); reduced the inconvenience and expense of travelling into Holywell.
- C.75 More widely, it has improved the appearance of the area as the premises are now smarter, cleaner, tidier and well maintained. Importantly, it has kept two vital services in the area which in the absence of the grant would likely have gone from the town and left a vacant building.
- C.76 In terms of benefits to the local economy it keeps more money in the local economy as people buy less from the supermarket and more locally. In addition, lorry drivers stop and buy lunch and may visit the other amenities in the town at the same time. Over time it is thought that it will also attract other local businesses to the town and fill the remaining vacant premises in the town.
- C.77 In the absence of the grant, the post office would not exist and there would be no access to financial services in the town. For the local community it would be inconvenient and expensive to go to other towns, especially for those who do not have to go elsewhere for work or do not have their own transport.
- C.78 Overall the grant has significantly contributed to the community being a place where people want to live; evidence of this is that it has become increasingly difficult to buy property in the local area. One community member commented how the post office was part of the criteria for them moving to the town. The post office provides an important social function as it keeps an eye on whether people are okay.

Future

- C.79 The local community does believe that there is a need to provide similar support for post offices in the future in order to give them a 'kick start' to become sustainable and viable on their own merit. It is more beneficial for smaller areas where there are less alternative services. The type of support that is required is central guidance to drive ideas, examples of successful diversification as an incentive, and assistance with linkages with other existing

businesses that would be suitable to combine with post offices. It is important that the non-post office activities undertaken have people with sufficient experience of the trade and management for the diversification to be a success; there may be a need to provide training for this. Central advertising by POL for local post offices would also be helpful to encourage more people to use them.

Case Study 4: Aberporth Post Office

Introduction

C.80 Aberporth Post Office is located in a coastal village in Ceredigion and has a diverse customer base, including a sizeable elderly population and a high number of local tourists. The building was previously a pharmacy, and the Post Office was introduced as part of the PO Local Pilot (one of two in Wales).



C.81 The sub-postmaster received a small grant of less than £5,000 in October 2010 (Round 4) to build a staff toilet, and renovate and change the layout of the pharmacy area of this business. At the time of the case study visit, the business had just been awarded another PODF grant to renovate the front of the post office building (to provide a new porch and door which will be more secure, provide a new sign and renovate the front windows) but this had not yet been implemented.

Feedback from Post Masters

Rationale and objectives

C.82 The pharmacy had agreed to become a PO Local Pilot around a year ago, but was struggling to increase the PO income to a viable level. The sub-postmaster became aware of the PODF grant through the Post Office Limited, who suggested that they should apply (as an incentive to continue to host the PO Local Pilot). At the time, the business did not have a toilet facility, and were using facilities in the flat above the business or public toilets off-site. A toilet on-site was necessary to meet health and safety requirements, but the sub-postmaster did not have the funds to undertake the building work at the time.

C.83 The aims of the grant were mainly to provide decent facilities for staff and, through changing the layout of the pharmacy area (which was necessary to build the toilet), the ability to engage with customers would increase. Indirectly, the grant would also ensure that the sub-postmaster continued to provide PO services, as it provided an additional income stream.

Process

- C.84 The sub-postmaster felt that the application process was relatively straightforward. It did require quite a lot of information, but he accepted that this was necessary in order to make best use of the Fund. However, some of the questions were repetitive and the questionnaire could have been more concise overall. It also took four months between the application and a decision being made, which he felt was too long. The sub-postmaster made a substantial contribution - around 50% - to the total costs of the renovation.
- C.85 The sub-postmaster felt that the verification process was thorough, and he was required to send regular updates to the Welsh Government whilst the work was being undertaken. He did not require any support from the Welsh Government as he was already aware of what was required to access and deliver the grant. He did not receive any support from elsewhere during the grant process, and was not aware of any similar grants available at the time.
- C.86 Once the grant was received, the capital works were completed quickly (within a few weeks). Changes were not made to the original proposal, and the sub-postmaster did not experience any barriers to delivering the project.
- C.87 The sub-postmaster felt that the PODF was complementary to the PO Local Pilot. Post Office Limited provided training, but not funding, for capital works required to adapt the premises in order to incorporate the PO. However, it would have been helpful if he had received the PODF grant when he first took on the PO Local Pilot (rather than a year later). In future, the two programmes could be better aligned, as the PODF would help businesses to afford to undertake the capital works necessary to take on the PO Local Pilot.

Outcomes and impacts

- C.88 The new toilet has benefited the non-PO side of the business (the pharmacy) as the business could not continue without satisfying Health and Safety regulations. The sub-postmaster believes that since the capital works were completed, turnover of the pharmacy business has increased by 20% - and that around one-quarter of this increase is attributable to the PODF (with part of the remaining increase due to the increased footfall associated with having the PO as part of the business). It has taken around one year to realise these benefits, but the impacts will be sustained over the long-term (up to 20 years). There have not been any negative impacts on the business of the PODF.
- C.89 The sub-postmaster was reluctant to continue with the PO Local Pilot (and therefore the PO itself) without having the PODF grant. Therefore the grant has meant that post office services have returned to the village (the previous

post office had closed 15 months ago). The sub-postmaster would have been able to save the funding to undertake the capital works eventually, but this would have taken around three years, but saving this money would have been difficult due to the low income from the PO business. The sub-postmaster stated that, without the grant, he would not have continued to host the PO.

- C.90 It has been difficult to demonstrate the direct benefits of the project itself to the community: the renovated pharmacy area now provides a higher quality shopping experience for customers, but the toilet is not for public use. However, indirectly the grant has ensured the viability of the PO business attached to the pharmacy in future, and therefore provides valuable PO and financial services, especially to the high number of elderly people in the area who were previously travelling seven miles to access PO services in the nearest town and to local businesses that use the PO facilities. The sub-postmaster believes that this also “keeps the village viable” and is an important part of the “heart of the village”.
- C.91 The sub-postmaster argues that the improvements that will be made to the shop frontage and security using the second PODF grant will have a more substantial impact on the wider community and economy by improving the image of the area, and thereby encouraging more tourists to visit the area. This is also important to ensure that services are maintained for the local community (as a result of tourist spend).

Future

- C.92 In future, the PODF could better link up with the PO Local scheme, by helping to provide capital improvements to non-PO businesses to enable them to take on the post office. This post office is not likely to need capital support in future, but the sub-postmaster did suggest that revenue funding would be helpful to extend the opening hours of the business as a whole.

Feedback from community members and community representatives

- C.93 As part of this case study, consultations were held with two community representatives and six local residents.

Awareness and project development

- C.94 There was limited awareness amongst local residents of the changes made using the grant: none were aware of the new toilet, but some had observed the changes to the pharmacy layout. None were consulted on what changes were needed at the outset (this was not a requirement for grants under

£5,000). One of the two community representatives was aware of the changes.

Benefits to the individual, wider community and economy

- C.95 Community members found it difficult to identify direct benefits of the capital works, especially the toilet. However, they did comment that they now had greater choice as a result of the new pharmacy layout. They were also aware that the PO is likely not to have remained in the pharmacy without the PODF grant – and they appreciated having access to PO facilities, especially financial services for the elderly population (the only other place to access cash in the village was at a cash point which charged to withdraw money). One consultee commented that having a PO in a village was a key criteria for many people choosing to move to the area (and they had seen people move in to Aberporth from places that did not have POs because of better access to facilities in Aberporth) and was a factor encouraging people to stay in the area (especially elderly people). Also, one community representative felt that having access to cash in the village meant that people were more likely to spend that cash locally.
- C.96 Consultees found it easier to envisage community benefits arising from the second grant to improve the shop frontage and security, including:
- Improving the image and appearance of the area.
 - Making people “feel safer”.
 - Encourage more tourists to visit the area, with knock-on benefits for other businesses in the area.

Future

- C.97 Consultees felt that the post office is an essential part of the village, especially to provide access to money, and that grants were needed to ensure they remain economically viable.

Case study 5: Llanishen Post Office

Introduction

C.98 Llanishen Post Office is located on the outskirts of Cardiff, some four miles from the centre. Once a small village, the area around Llanishen has now been built up (including two large council estates and one private estate). As such, the post office serves a wide area and has a diverse customer base, including a sizeable elderly population, young families and businesses from the local business park.

C.99 The owners have been running post offices for a number of years, and have been at Llanishen for 16 years. The SPM has been heavily involved in campaigning for post offices, in her former capacity on the national executive of the National Federation of Sub-Postmasters (NFSP).

C.100 Prior to diversification, the post office sold cards and stationery as a secondary private business at the rear part of the post office. With the grant award, the SPM was able to transform this space into an internet hub, also serving hot drinks.



Feedback from Postmasters

Rationale and objectives

C.101 Although the stationery business had previously been successful, in the last four to five years, the profitability of this business had declined sharply to a very low point. This was a reflection of the fact that the shop next door, which had lain empty for many years, had been leased to a new card and gift shop which was now competing for business. Moreover, the card and stationery area was looking very tired and tatty.

C.102 The impact of the new card shop was also coupled with the decline in the use of post office services, a situation experienced by post offices across the country. The SPM estimated that the loss of the pensions and benefits contract had resulted in around a 40% reduction in income and the loss of the TV licensing contract had led to a 10% decrease.

C.103 These operating conditions prompted the post office to apply for diversification funding. The SPM feared that she would lose her secondary business, and although profitable in itself, it would have been difficult to make a living on the post office alone.

C.104 The SPM chose an internet hub because Llanishen already had most major types of retail outlet and service. She was looking for something that would be new to the area and an internet hub seemed the obvious choice. She hoped that it would be used by people without computers, especially those wanting to improve their IT skills. She also wanted to provide games for children, which would in turn help them become familiar with using the post office.

Grant funding process

C.105 The SPM found the grant application process very easy and straightforward. While the accompanying information was pretty comprehensive to help with the completion of the application form, she also received support from WAG as she had some particular concerns specific to her diversification idea. She found the responses from WAG very helpful.



C.106 Having applied in the first bidding round in April 2009, Llanishen Post Office was awarded the grant in August. In total, Llanishen Post Office received over £20,000 (mostly capital, with some revenue funding). The new computers were the most significant outlay.

Table C-1: List of equipment and other costs covered by the grant

Capital grant	Revenue grant
Five computers	Employment costs for one extra employee for 12 months to run the hub Advertising
Two printers	
Digital camera and photo printer (for passport photos)	
Desks	
Outdoor signage and 'menu boards' with the post office information	
New carpets and decoration	
New uniforms for staff	
Coffee machine (leased)	

Source: SQW based on consultations

- C.107 Alongside the grant funding, £8,000 of the SPM's own money was also spent on electrical work, and on improvements to the kitchen at the back of the post office to bring it up to scratch for serving tea and coffee.
- C.108 In order to help decide what diversification route to take, the SPM asked people in the local area whether a similar set-up already existed nearby. Research was also carried out via the internet and technical advice was received from an IT worker whom the SPM knew, relating to what equipment to purchase.
- C.109 The plan did not change upon receipt of the grant, apart from a few tweaks to the layout of the hub. There were some delays, however, to getting the internet hub up and running. It took many weeks firstly for Post Office Ltd to remove a Combi Till from the centre of the post office, and secondly, for workers to start due to holiday.
- C.110 In the end, the launch of the hub was delayed for three months, although fortunately, it was possible to carry out the work around the opening hours of the post office, so the provision of post office services was not much affected.

Impacts on the business

- C.111 According to the SPM, the internet hub has resulted in more custom to both the post office and private businesses. She believes that both businesses complement each other, as footfall has increased.
- C.112 The financial impact on the business has not been as dramatic as expected, however, with fewer users of the internet hub than was the original aim. The delays to the opening of the hub may have had a detrimental effect. The internet hub opened in November 2009, which is the busiest period of the year for the Post Office due to the holiday season, meaning that the staff could not devote their whole attention to the hub. The bad weather after Christmas also kept customers away. It was only some months later that they started to notice the benefit of the changes.
- C.113 While the SPM would like to have more customers using the hub, she nevertheless remains convinced that diversification has been worthwhile. There have not been any negative effects of the grant on the business and, without it, she might not have now had a private business at the post office and her post office business would probably be in much worse shape financially.
- C.114 In the absence of the PODF, the post office owners would not have contemplated diversification on this scale. "Bits and pieces" may have been

done but they would not have considered an internet hub. The postmaster did not know of any other similar support.

Impacts on the local community and economy

C.115 The internet hub has encouraged people, who would not otherwise have the opportunity, to start using computers. Customers use the hub for “job searching, planning holidays, keeping in touch and one elderly customer even uses it for keeping in touch with relatives on Skype”. With the charity Age UK, the post office helped organise a day for elderly community members to come to the hub and learn how to use computers and the internet. A couple of attendees had never used a computer before.



C.116 The SPM did not think there were any negative impacts on other businesses in the area as there was no nearby competition for an internet hub. In fact, she felt that the existence of the printing equipment was helpful to other businesses that could make use of the facilities.

C.117 The SPM feels that diversification has safeguarded the jobs at the internet hub, (one full-time and three part-time jobs). Although the post office would still be open, without the private business, the postmaster may not have been able to keep on all employees. The hub had also led to the business taking on a new employee, whose role was to run the internet hub. The employee remained working at the post office for more than the year that WAG helped fund the post (with the revenue grant).

The future of Llanishen Post Office and funding

C.118 For the foreseeable future, the SPM hopes to continue with her two businesses at the Llanishen Post Office. She also has the intention if possible to “do more which is of benefit for those without computers”, such as classes to improve computer literacy. She may use the computers for digital art classes.

C.119 If more funding were to become available from the Welsh Government in the future, it is likely that Llanishen Post Office would apply. Instead of increasing diversification, they would augment what is already there with the internet hub. Some possibilities include funding for advertising or the provision of basic computer training for community members.

C.120 At the same time the SPM thinks that the amount that any one post office receives should be limited. She suggested a £10,000 cap for future funds. This would enable more post offices in Wales to be included, as just about all the post offices in the network need help to maintain their financial viability.

Feedback from community members

C.121 Due to difficulties in getting hold of community members to speak to, the following only reflects the views of one community member who is a regular customer of the internet hub, so may not be representative.

C.122 The community member thought that the changes made at Llanishen Post Office were highly appropriate as they “brought the post office into the 21st century”. In general he had noticed that the hub had brought more people to the post office. He felt he had personally benefited from the hub as when he goes to the post office he also uses the computer for internet banking and eBay, for example.

C.123 In terms of community benefits, the most notable were benefits for the local children. While not consulted on what changes were occurring at the post office, he was aware that the SPM had a target market of children, particularly those from the school nearby. He thought that the hub brought them off the street and enabled them to do their homework. It was especially important for those children whose family only had one computer, or indeed none at all, meaning that they were not necessarily able to use it when they needed it.

C.124 No negative impacts were identified by the customer, and instead, he believed that the SPM had created a niche with the hub: “while what was there before in the post office was fine 10 years ago, you can’t keep it the same all the time without it going stale. The changes have resulted in a new lease of life for the post office”.

C.125 He was fully supportive of grant funding for diversification of post offices, thinking that help should be accorded when post offices needed it and not just at set times when the government decided to set up a grant.

Case study 6: Newtown Post Office

Introduction

C.126 Newtown Post Office is situated in the centre of the largest town in Powys. The large post office now houses a party shop, selling everything from cards and balloons to fancy dress costumes, thanks to the PODF grant it received in April 2009 for under £20,000 which was a mix of revenue and capital funding. The grant was used for refitting the shop, purchasing machinery for coating



and blowing up balloons and staff training on how to use the equipment. The project began in mid-2009 and took approximately six months to complete.

Feedback from Post Masters

Rationale and objectives

C.127 The Sub-Postmaster (SPM) was prompted to apply for a PODF grant as the post office was losing money and he was concerned they would have to close the business within five years as it was not financially viable. They were also concerned that their competitors in nearby towns who were diversifying would attract their customers.

C.128 Due to the success of selling foil balloons as part of their product mix for 12 to 18 months prior to submitting the grant application, the SPM decided to diversify by adding a party shop. Smaller scale alternatives were considered, and the idea was discussed with community members and staff first including one who had previously worked for a card shop and had in depth knowledge of the demand for different party products in the area.

C.129 Through the grant investment the SPM wanted to improve the financial viability of the business, to serve the community by responding to their requests for additional products and also to protect the loss of jobs.

Process

C.130 The SPM considered the grant application process to be easy. The speed of response was a little slow. The speed of paying the grant was adequate; the work was originally paid for using an overdraft facility once the offer letter was received and then claimed back through a series of invoices. The only

improvement that was highlighted by the SPM in terms of process was the removal of the requirement for three quotes for work as this proved difficult and very time consuming. The SPM found the contact at the Welsh Government, who provided support throughout the application process and once the project had commenced, to be very helpful and had explained the process for grant payments thoroughly.

- C.131 The SPM himself contributed £4,500 towards the diversification prior to receiving the grant; once the grant was received it allowed the diversification process to continue. At the same time as receiving the PODF grant the SPM also benefited from the Business Rate Reduction Programme.
- C.132 The project began straightaway on receipt of the PODF grant. Delivery of the project adhered to the original plan and the grant was primarily used to carry out the shop refit and the purchasing of a new carpet and two card stands. The remainder of the grant was used to purchase specialist equipment for the coating and blowing up of helium balloons and also the training of staff to use this machinery.
- C.133 The SPM does not think that he could have found similar support to the PODF elsewhere in the public or private sector, and that the only way he could have funded these changes would have been through his own personal funds. However, owing to the poor performance of the post office prior to receipt of the grant this would have taken around five years to complete.

Outcomes and impacts

- C.134 Over two years turnover has increased from an average of £200 per week to £1300 per week. Post office turnover has increased by around 5% which has been reflected in a proportional salary increase for the SPM. Due to the substantial increase in footfall the post office now processes driving licenses and has qualified for the sale of gift cards, which are services only provided by the largest most successful post offices. The post office business has also expanded to include four outreach services across three villages.
- C.135 Since the completion of the project in Autumn 2009, sales started to increase straightaway and within one year had already increased by 30-40%, however the majority of the increase in sales has happened during 2011. The SPM considers all of the business benefits to be related to the receipt of the grant. He believes turnover will continue to increase for the next 5 to 10 years and he will continue to expand into corporate and wedding party markets. In addition, he began selling his products on eBay in March 2011 and is now making almost £800 per week in sales.

- C.136 Benefits to the local economy to date include the safeguarding of seven and the creation of three³¹ jobs for local residents, with another two likely to be recruited in the near future. Those employed by the post office have also been up skilled whether they be full time staff or work experience.
- C.137 People come to the party shop from as far as Aberystwyth and Shrewsbury as there is nothing similar for 25 miles, whilst in the town they also spend money in local shops and the SPM often refers people looking for other products to local suppliers which benefits other businesses in the local area. Other shops are also reliant on people being able to access their cash and spending it locally. Due to the level of deprivation and the high proportion of disabled, elderly and unemployed people in the area most people deal in cash - the post office pays out £150,000 per week, the majority of which is spent in the local economy.
- C.138 Following the refit of the shop the SPM recommended the shop fitter to other SPMs in receipt of PODF grants which resulted in them fitting out another three post offices in the local area. They also sponsor the local football team and advertise in the local paper.
- C.139 The community has benefited from the project as it has maintained access to post office services and has also provided outreach services for wider communities. The community has been provided with a large choice of new affordable products and services that are not available elsewhere within 25 miles so there are financial benefits in terms of transport costs.
- C.140 The SPM has applied for a further grant of £5,000 to purchase a van and equipment so that displays can be assembled on site to reduce transportation costs and is currently increasing the fancy dress capacity of the shop and intends to turn the back room of the shop into a costume room over time. He is also in the process of buying another post office in Llandrindod Wells for his son to run when he leaves the armed services later this year which he also plans to diversify into a party shop.
- C.141 In the absence of the grant the post office would not have been able to achieve the changes to the same quality and it would have taken considerably longer - about five years by which time the post office would have closed.

Future

- C.142 If the Programme was to be re-launched in the future it would be helpful if the application process was quicker. More importantly the grant needs to be used for diversification projects only not modifying post office premises. Every grant

³¹ One of which is an additional Welsh speaker increasing the provision of bilingual services.

recipient should be visited by a representative of the Welsh Government both before and after the grant has been awarded, to ascertain the value for money of the improvements made.

- C.143 The requirement for similar support in the future will depend on the expansion of the current party shop and whether or not they will require larger premises in the future.

Feedback from community members and community representatives

Awareness and project development

- C.144 The community became aware of the project once it was happening. The first time they were aware of it was when the original front door was closed and they had to use the side entrance, although signs detailing the work that was being undertaken were put up in the post office whilst the work was ongoing.

Benefits to the individual, wider community and economy

- C.145 Local residents were pleased that they are still able to access their post office services to pay their council tax and collect their working tax credit, benefits and child support. Most of the individual benefits mentioned by the community members were in relation to the non-post office activities. They commented on: the convenience of being able to get everything in one place; the ability to find things easily due to the well-organised layout of the shop; having peace of mind that the products purchased were guaranteed and good quality; the extensive product offer and personal service provided; good value for money.
- C.146 More widely, the post office and party shop has improved community well-being as it is very positive to have something that is thriving when many of the other shops have/are closing down in the local area. The post office is now a lot busier, the appearance is much improved and it has a much larger customer base than it used to. Local eBay businesses commented on the value of the post office to their businesses and that they 'would be lost without it'. The low prices make it possible for people to attend and host events to lift people's spirits and have positive implication for other local businesses.
- C.147 The community believes that in the absence of the grant the post office would have just continued as it was - it is considered to be a public service that will always be there.

Future

C.148 The community commented that support should only be provided in areas where there is footfall to warrant the diversification and that support needs to be provided by an independent body (not POL).

Annex D: Consultees

D.1 The individuals consulted as part of this evaluation are listed below.

Table D-1: Consultees

Name	Position	Organisation
Lisa Clarridge	Fund manager	Welsh Government
Charlotte Anscombe	Fund manager	Welsh Government
Chris Lewis	Regional Secretary	National Federation of Sub Postmasters
Huw Roberts	National Director for Wales	Post Office Limited (Royal Mail Group)
Keith Richards	Executive Council, Member of Negotiation Committee	National Federation of Sub Postmasters
Liz Withers	Consumer Focus Wales	Head of Policy
Stuart Taylor	Head of External Relations	Post Office Limited

Source: SQW