



Llywodraeth Cymru
Welsh Government

www.cymru.gov.uk

Evaluation of the Post Office Diversification Fund - Executive Summary

Research Summary

Social research

Number: 06/2012

SQW was commissioned by the Welsh Government to evaluate the Post Office Diversification Fund (PODF) in June 2011. The study involved desk-based analysis of data and documentation, a large-scale telephone survey with 144 of the 217 grant beneficiaries, detailed case studies with six beneficiaries, consultations with the Welsh Government's management staff, consultations 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), and a small scale telephone survey with unsuccessful PODF applicants and non-applicants.

Findings

The main impetus behind the introduction of the PODF in 2009 was the Welsh Government's commitment in One Wales to "reinststate and refocus the Post Office Development Fund". Between January 2009 and October 2010, 229 grants were awarded (Rounds 1 to 4 of the Fund), amounting to a total spend of £4.03m. Around three-quarters of beneficiaries surveyed also contributed financially towards costs. The activities delivered by the PODF tended to focus on making physical improvements to existing non-Post Office businesses rather than diversification into new areas. However, there has been limited innovation and creativity amongst applicants in terms of the activities undertaken.

Feedback from beneficiaries showed a high level of satisfaction with delivery processes, including appreciation of the support received from the Welsh Government before and after receipt of the grant. Existing networks were used effectively to reach the target audience, and the Fund was sufficiently flexible to enable managers to respond to changing needs. The evidence indicated that, during the period it was offered, the PODF filled a genuine gap in the market

Dadarsodi ar gyfer Polisi



Analysis for Policy

for support specifically targeted at post offices, and 69% of the changes funded by the grant would not have been achieved without the support (i.e. were fully additional).

The PODF played an important role in increasing non-post office business turnover and profitability, and improved the commercial viability and/or sustainability of post office and non-post office business activities for most beneficiaries. Sub-Postmasters (SPMs) are now also more confident in their business prospects, and some have been encouraged to diversify and invest further in their non-post office business.

The PODF has also had positive impacts on local economies and communities, including:

- improving job opportunities in around half of the participating businesses
- improving confidence amongst businesses in local economic prospects more broadly
- encouraging people to spend money in the local economy

- enabling local produce to be sold directly to residents (and therefore supporting local supply chains)
- improving the image/attractiveness of the area (with benefits for tourism)
- enabling the continuation of access to post office services
- improving community wellbeing.

The PODF was less effective in contributing to reducing poverty/inequalities/disadvantage (one of four key criteria of the Fund), in improving skills and in reducing financial exclusion (although indirectly, by supporting non-post office activities, the Fund meant that post offices remained open).

Overall, within the parameters set by the research, we found high levels of additionality have been achieved, and the Fund delivered reasonable value for money (in terms of cost per business assisted).

The PODF demonstrated Strategic Added Value (SAV), for example by creating confidence in prospects for

growth, encouraging the scaling up of activities, delivering higher quality results than might otherwise have been the case, acting as a catalyst for change, and encouraging SPMs to shift towards activities that contribute to improved community wellbeing.

On the evidence available to us, we found that the Fund had met its objectives in part. The Fund has increased non-PO business turnover and profitability, and thereby improved the commercial viability and/or sustainability of post office and non-post office business activities. However, the evidence suggests that more has been achieved to improve the performance of *existing* business streams rather than encouraging *new* diversification activities.

This is important against a context where post offices have faced major challenges from the loss of the previous core Post Office-business, most notably as a result of payments being transferred directly into recipients' bank accounts. The failure to stimulate more radical responses for maintaining business viability is

related at least in part to the design of PODF - the scale of support available and how this was presented in the application process.

Revenue support might have helped to develop new business ideas and plans for diversification, but this was not well understood or used. The Fund has 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, and consequently we found only limited evidence that the Fund had benefited the socially and financially disadvantaged.

Recommendations

We found that SPMs were still facing challenges around maintaining the economic viability of non-Post Office and Post Office businesses: the case for continued intervention of some kind in Wales was supported both by external stakeholders and project beneficiaries. The need was partly but not only one of finance: we

found evidence of an ‘information failure’ amongst SPMs on the sort of changes that could improve future economic viability and sustainability, as well as a lack of capital to make these changes.

If future assistance is provided to SPMs in Wales (in addition to UK-wide support), we recommend that the design should take into account both the national context and the learning gained through operating PODF and this evaluation. This is summarised below.

- A clear, logical and well evidenced case for intervention 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.
- The purpose and scope of any new fund should be defined in relation to UK Government support for post offices, and in particular funding to develop the ‘Main Post Office’ and ‘Post Office Local’ models. Also where relevant, with regard to other programmes aimed at skills training and marketing, support for business planning, rural retail diversification schemes, and capital grants for rural businesses (including those provided by local authorities).
- The scale and content of the support available to SPMs should be defined in relation to the stated objectives of the intervention and evidence on the scale and nature of need, as well as overall funds available, and expected target groups and geography.
- More emphasis should be placed on evidence of planning for business sustainability, to ensure that the businesses supported become economically viable and able to raise the finances required themselves.

- To assist this, revenue funding should be provided – or linked into the scheme - enabling access to external help in testing the feasibility of new ideas, for developing business plans and to provide training.
- More emphasis on capacity building for SPMs would help generate more innovative, creative and commercially robust diversification propositions. In this context, the Welsh Government should improve the explanation of this support and its purpose, and what it could be used for.
- If, as 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.
- 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, and sustainability. Also evidence should be collected, perhaps through local authorities, whose remit covers community wellbeing, and which are perhaps best placed to take a view on the scale and type of impacts felt within the communities.
- The Welsh Government should consider options for delivery, including working through, or in close partnership with, other bodies/private sector organisations that deliver business support in rural areas, as well as direct delivery.
- SPMs should be asked at application stage to provide information demonstrating need (for the post office, and for the wider community); also why *public* funding is needed (i.e. evidence that internal resources and bank lending would not be adequate or appropriate).

Author: SQW

ISBN: 978 0 7504 6968 5