



Ernest Wilson

THINKING OF BUYING A SUB POST OFFICE?

Part of **Eddisons**

T: 0113 238 2900
ernest-wilson.co.uk

A HELPFUL GUIDE FOR YOU

SUB POST OFFICES - BACKGROUND

As you will know Post Office Limited is a national provider of mail, financial, government and telephony services through a branch network of over 11,500 post offices throughout the UK. The Post Office has a unique reach across all areas of society - for example 93% of people in the UK live within a mile of a Post Office branch.

The government wholly owns Post Office Ltd (which runs the network of post offices) via its shareholding in the Postal Services Holdings Company plc (formerly Royal Mail Holdings plc). Whilst Post Office Limited is Government owned the vast majority of Post Offices (85% of overall network) are privately owned and run as traditional Sub Post Offices. These private owners are either individual subpostmasters (who operate approximately 7,700 Post Offices, with just under 1000 operating in Yorkshire and Humberside, 54.4% of these in rural areas, 34.2% in Urban areas and 11.3% in Urban Deprived areas) the remainder are owned by corporate retail chains.

The Post Office Ltd directly runs currently 326 Crown Post Offices, which are usually found in large towns and cities. There are also several hundred Post Offices in the form of mobile vans or services hosted in pubs and village halls serving rural areas (called "Outreach" Offices, 1136 of them!). Sub Post Offices are operated under contract by individual subpostmasters / mistresses.

We refer to subpostmasters and subpostmistresses as "subpostmasters" in this document. However they can be referred to as "operators" as this is the name used for those operating under a "Local" or "Mains" Agency contract.

The UK Government believes the Post Office network is important because of the vital services that it provides across the unparalleled size of its national network (the Post Office network is very large, it is larger than all of the UK Banks' branches put together). The Government has backed that belief with agreed funding of £2bn for the years 2011-2018 to support the network as it reinvents itself in the ever changing economic environment.

Postal Affairs Minister Jo Swinson announced in November 2013 an investment of £640 million from 2015 to 2018 to maintain the network of over 11,500 Post Office branches. This investment will make sure Post Office branches are transformed to meet customer demands with longer opening hours and faster services.

For the first time, there will be, from this announcement a dedicated fund of £20 million to invest in smaller community branches.

The Department for Business, Innovation and Skills is responsible for setting the strategic policy for the Post Office network and for agreeing Post Office Ltd's business plan.

Post Office Ltd provides access to around 170 products, including mail, financial, government and telephony services.

The government believes the Post Office needs to adapt to changing customers needs by offering customers what they want - longer opening hours, quicker service, high retail standards and convenient locations. To achieve this, Post Office Ltd is introducing new ways of working that will improve the customer experience, reduce operating costs and improve the financial sustainability of the network.

The government's £2 billion funding package mentioned above includes support for Post Office Ltd's Network Transformation Programme, which will see all branches either modernised or protected by 2018. The government has made a clear commitment that there will be no programme of closures.

In return for this funding, the Post Office is required to maintain a network of at least 11,500 branches, and continue to meet the strict government-set access criteria that see, for example, 99% of the population living within three miles of a post office outlet.

HEARD SOMETHING ABOUT POST OFFICE CLOSURES - THE FACTS!

First of all bear in mind the Government commitment mentioned above – no closures. Secondly it is also worth keeping in view the comments in the Post Office's Network Report (March 2015): "Maintaining the size and accessibility of the network is a key policy aim of Post Office Limited and at the end of March 2015 there were 11,634 branches..... In individual cases where a Post Office branch has not been able to continue to trade within the last year, these have typically been for circumstances beyond the control of the Post Office, for example a postmaster retiring and no-one coming forward to take over the business, or no suitable premises being available. In these cases, the Post Office works to try and re-establish the service in the community in liaison with local stakeholders."

Hence you may have heard of one or two "closures" and these are explained as above – it is not part of a strategy!

WHAT TYPE OF PERSON IS THE POST OFFICE LOOKING FOR TO RUN A SUB POST OFFICE?

The Post Office is one of the most trusted brands in the UK; it is hard to think of another business that offers as many essential, everyday services as Post Office Ltd whilst at the same time providing a vital service to the community. The Post Office needs people who are self-motivated, who can work within a modern, dynamic business and who want to grow and succeed with them.

Like commercial businesses the Post Office Ltd operates in a competitive environment where customers have a choice. Thus the Post Office's aim is to win customers trust and loyalty through the quality and reliability of the service they provide through all its outlets, whoever runs them. The Post Office needs subpostmaster's who are able, on the back of excellent service, to "sell" to customer needs, the broader range of Post Office products, such as Financial Service and Telephony products.

Previous post office experience or similar experience in the retail or banking sector may be an advantage but it is certainly not essential. In recent times we have seen a very wide range of applicants appointed to run a Post Office – do not think you need to have had a retail or a financial background to apply. That obviously helps but it is certainly no barrier if you have not.

Finally, if you are appointed to an office but don't have any previous experience, you will not be left to fend for yourself. The post office provides excellent training which is detailed below and they do not expect or require an applicant to have had previous experience working within a Post Office.

WHAT TRAINING CAN YOU EXPECT?

A good level of on-going training and support is available. Pre-transfer training is included in a classroom style environment in preparation for the first day of trading. There is also online work books to complete.

On the day of handover, the cash and stock from the existing subpostmaster will be transferred under the supervision of an auditor. Training thereafter generally takes place in the sub post office and is undertaken with an agency trainer, covering customer service standards, completing transactions, sales coaching, accounting procedures and security issues, etc. Further training is provided at intervals as it becomes necessary and will be assessed by your Post Office Ltd's manager.

WHICH POST OFFICE BUSINESS IS RIGHT FOR YOU?

Of course the type of business that will suit you depends on your goals in life and everyone is different. For example are you motivated only by profit, or are you also looking for a way of life? Are you more interested in a town, or a village? Do you want to employ staff? Answering these and many more questions like these will help to narrow down which Post Offices on the market meet your needs.

Additionally before you start your search for an office, you should decide what type of associated business you may wish to run alongside the post office as well because, in reality, your future security will be based both on the success of the post office and on the success of the private business. They are inter-dependent and, therefore, any prospective purchaser must be certain that he/she can be master of both sides of the total business.

The Business Transfer Agents' sales particulars will provide an overview of the Post Office and its associated business. It is always a good idea to visit as many as you can and compare them with one another.

THE DIFFERENT TYPES OF POST OFFICE AND NETWORK TRANSFORMATION

In your search for a Post Office you will come across the following types (not exhaustive):-

Scale Payment Post Office (SPSO). These represent the majority of Post Offices on the high street and which are subject to Network Transformation to the new models - namely Community, Local, Mains offices. Scale Payment Post Offices currently receive an element of fixed pay (minimum £10,000pa) and transaction payments on top which depend on counter volumes. However, unless this is designated as a Community Post Office the Fixed Pay element will not be inherited by a buyer. Rather the pay will become purely transaction based. The impact of this depends on the contract type it will convert to.

Community Post Office. These are smaller Post Offices, with no other retail business usually within ½ mile radius. They retain an element of fixed pay.

Local Post Office. A new contract Post Office model. A Post Office Local provides a wide range of services from the retail till and is open when the shop it is housed within is open, rather than standard Post Office hours of 9am to 5pm. There is no fixed pay element with these Post Offices, all pay is based on the volume transactions undertaken.

Mains Post Office. Larger modernised Post Office branches, known as Post Office mains, offer the full range of products and services, during standard hours, with a Post Office serving point providing selected services during extended shop hours. There is no fixed pay element with these Post Offices, all pay is based on the volume transactions undertaken.

The price you pay and the situation of each (onsite / offsite transfers, matched funding etc) can differ from Post Office to Post Office. For example in some cases the outgoing subpostmaster will be leaving the Post Office under the "Conditional Onsite / Offsite Leavers Package" with compensation. In these circumstances the Post Office contract cannot be sold for value on the market. Thus the buyer will only need to pay for any retail business run alongside the Post Office and / or property. Consequently the Government funded compensation scheme can mean there are some bargains available for buyers whilst the compensation fund lasts! Please feel free to contact Martin Humberstone to discuss any particular Post Office we are selling and the circumstances of each can be talked through.

FINANCIAL INFORMATION

After viewing the Post Office the vendor will usually release to you the most recent Pay slips and P60 to latest tax year end (available for some offices) which will give written confirmation of the Post Office remuneration and set out precisely how the remuneration is calculated giving a detailed breakdown of the work carried out at the office. On subsequent application for the subpostmasters vacancy the post office vacancy advert will detail the projected post office remuneration. It is this latter figure on which the business plan will be based.

Naturally the last 3 years certified accounts should be made available which will include the retail performance of the business as well as the Post Office trading finances. If up to date Accounts are not available and the business retail side trades above the VAT registration threshold then VAT returns can be obtained which will detail the turnover through the retail business, excluding VAT, further giving comforting confirmation of the trading turnover.

Your largest indirect costs will usually be rent (if leasehold), wages and finance costs (if applicable) so getting a handle on these, the largest costs, is important. We are able to provide a copy of the lease from our client for you to review so you can see exactly what the rent and terms and conditions of the lease are.

Wages may also figure prominently in most businesses. Vendors again will provide a list of employees, their hours and wage rate, are they employed in the Post Office section, shop, or both? It is worth noting that under "Transfer of Undertakings Protection of Employment" (TUPE) legislation, a current employer cannot make staff redundant on your behalf. They come with the business. If the budget is likely to be tight, you need to assess the minimum level of staff which the business requires to run at present levels of turnover and post office activity. If you intend to make any staff redundant after you take over, it is relatively easy to calculate the likely costs at an early stage by going to the DirectGov website (<https://www.gov.uk/calculate-your-redundancy-pay>). Staffing is often far from the problem that you might envisage, and of course proper legal advice is sensible, should you not wish to retain the existing staff.

You will need a good deal of the above information to be able to submit a Post Office Business plan in due course. The existing subpostmaster will understand this and provide what is available.

FINANCE

You may need finance to buy your Post Office, most do. The Banks are lending on Post Office applications. The amount you can raise varies from individual to individual; in addition different institutions have different lending criteria and will lend at different levels of unsecured exposure within a lending package and value the security offered according to different parameters.

The level of finance you can raise is an important part of the equation as to which Post Office you can buy and you may find it useful to call in and speak to our experienced Banker here at Ernest Wilsons at an early stage. At Ernest Wilson we have secured the services of a former Area Director of a National Banking Group and an informal, no obligation, free and exploratory discussion can help you to understand the vagaries involved in borrowing money for a business and see what you can expect to borrow and target your Sub Post Office search accordingly.

If you need to sell your house to raise the capital to buy the business or make a substantial contribution towards the purchase price of the business then that is a delicate balancing act in the context of buying a Post Office. Many find it best to commit to buying a Post Office in principle, sell the house and be willing to move into rented accommodation whilst the right Post Office is found or whilst the Post Office purchase transaction is proceeding, The other way is to find a buyer who is willing to wait for you to complete the Post Office application process (3 months minimum) and then complete the transaction if you are successful at interview.

PROGRESSING YOUR PURCHASE

When you are happy you have found the right Post Office for you an offer, subject to contract, is made through ourselves. If accepted, the purchase transaction and all that that involves proceeds.

However remember Post offices cannot be bought and sold without Post Office Limited agreeing to the appointment of the new subpostmaster. Although you may be happy with the agreement you have reached with the vendor for the purchase of their business, the vendor cannot guarantee your appointment by the Post Office. So what happens is the vendor and purchaser enter into an agreement to purchase the business SUBJECT to the agreement of Post Office Limited. This agreement will incorporate many standard conditions expected in an agreement to buy a commercial business along with a condition that the agreement is subject to the buyer being appointed as subpostmaster.

Once this agreement is exchanged the vendor will tender his / her resignation to the Post Office and a vacancy will be created for the buyer to apply for. At this point, the Post Office Network Transformation Team may scope the sub post office to see what contract the new subpostmaster will be offered; either local, mains or community.

APPLYING FOR THE SUBPOSTMASTER POSITION - THE PROCESS

Once you have reached an agreement to buy the Post Office the subpostmaster will need to tender his resignation, as mentioned above. He will do this when you are sufficiently committed to the purchase in his view – often this is only when contracts for the purchase, subject to Post Office appointment have been signed. However many subpostmasters will do so before then – again every situation is different. As the selling agent, Ernest Wilsons contacts the Post Office to provide them with the buyer's details. The Agent Recruitment Team, once the resignation has been processed and the notice period started, will then contact you shortly afterwards with all the information you need to apply online. At this point the vacancy will go live on their website.

The application is made up of four parts which need to be completed by the advised deadlines:

1. Complete the online application
2. Upload your CV to your online application
3. Upload your business plan to your online application in the specified format
4. Send hardcopy evidence to support your business plan to the Agent Recruitment team.

You may though be asked to complete the “e-Business Plan” which merges steps 1-4 into one process and electronic document. The Post Office Agent Application Team and Finance Team will then analyse your Application and business plan and if this is approved invite you to an interview.

THE IMPORTANCE OF YOUR BUSINESS PLAN?

The Business Plan required is one in the Post Office's prescribed formats and is very much all financial. Completing your business plan on time, whilst perhaps one of the more complex and time consuming parts of the process, is a crucial part of short listing. The financial viability of your business plan is vital and will help the Post Office to decide whether you are the right applicant for that branch. Indeed it is important to get this right. The Post Office must see that it meets their Network Transformation criteria and that it evidences a viable business operation and the Business Plan was competently completed. Failing to do so can result in your application being rejected, thus no interview will be held and furthermore there may be restriction on applying for another subpostmaster position for 6 months - it has and does happen!

Ernest Wilsons provide a “Buying a Sub Post Office Support Service” which will provide support for you in completing Business Plan and assist your preparation for the interview. Whilst this service cannot guarantee you will be appointed; certainly it can be said to very much improve the probability of that success.

BUYING A SUB POST OFFICE SUPPORT SERVICE

What this includes:-

Assistance with your online application.

- Assistance with the preparation of the Post Office financial business plan. This includes preparing in "draft" your Financial Business Plan within the timescales required. This involves talking to the outgoing Subpostmaster / Operator to obtain key information to input into the plan.
- Liaising with the Post Office's AAPT (Agents Application Process Team) as required.
- Going through this with you "face to face" or over the telephone ensuring you fully understand and endorse it and it becomes / is "your plan".
- Assistance in preparing for the Post Office interview. This includes preparing in "draft" your Sub Post Office PowerPoint presentation that is usually the most impactful way to present at the interview. Going through this "face to face" in our offices or over the telephone (should you be some distance away*). You would have full editorial control – whilst the presentation is prepared in advance for you, it is only "draft" as it is important that the presentation represents you and your business as you would wish it to. Thus we shall amend it accordingly – it is a bespoke presentation for you. Giving you guidance as to the format of the interview and the preparation you need undertake. Providing you with background information on Post Office Network Transformation and the Post Office's strategic objectives to ensure you are "in tune" with them when you go for the interview. (* Even if you are some distance away Martin may, if you prefer, travel to you to run through the interview presentation "face to face", with a pre-agreed additional payment).
- Along the way answering any questions you may have. In essence we help and assist with every aspect of the Subpostmaster application process. You are not involved in any workshops with other people or sent workbooks, this is a personal service, with direct access to Martin Humberstone, who also works in the Ernest Wilsons Post Office department, throughout the process.

If you would like to speak to current subpostmasters who have used this service and ask them about their experience just telephone Martin and he will provide you with contact information.

WHAT WILL IT COST ME?

The charge for this service is just £1,195.00 plus VAT, if you are buying a Sub Post Office through the Ernest Wilson Business Transfer Agency.

If you are buying a Sub Post Office through another Business Transfer Agency, or privately, then we will still be glad to help but the charge is not discounted and thus would be £1,395.00 plus VAT.

You may well find in your case that this cost is a pre-start up tax deductible expense and the VAT is reclaimable in due course, assuming you need to register for VAT which will depend on the Sub Post Office you are buying.

Payment is via debit or credit card.

The charges above reflect the considerable time absorbed and spent on each case and the quality of service provided in meeting the Post Office's application requirements. This fee is often only a very small percentage of the overall purchase cost of the property and business. After all without the Post Office appointing the proposed buyer as a Post Office subpostmaster / operator the purchase cannot proceed – so this application process is a very important part of a Sub Post Office purchase.

You may just require assistance on part of the process, if so please do not hesitate to telephone to discuss your requirements.

WILL USING THIS SERVICE GUARANTEE MY APPOINTMENT A SUBPOSTMASTER?

The short answer is “No” and you should immediately walk away and keep your money if anyone does say they can guarantee that! Ultimately you will attend the Post Office interview not Martin and only the Post Office make the decision as to who they will appoint as subpostmaster. What we can say is that you will be very well prepared, including delivering a fit for purpose, impactful and professional business plan and presentation, and we shall do everything in our power to put you in the best possible position to be appointed. Our 95% success rate should give you comfort.

POST OFFICES AGENCY APPLICATION PROCESS TEAM

The team will contact an applicant at each stage of their application with updates on progress,

The stages are:-

- On receipt of your online application.
- To advise you if any part of your application is missing.
- On receipt of full application with supporting documentation and Business Plan assessment.
- Inviting you to interview.
- With the result of your interview.

In addition, you will be contacted by phone or by email on a number of occasions - we find they are a really helpful team.

FINDING OUT THE RESULT OF THE POST OFFICE APPLICATION INTERVIEW

Applicants are usually contacted by the interviewer within a few days of the interview with the outcome, sometimes though this can be on the same day! As detailed above a confirmatory email will follow.

If you are successful, an offer letter will be sent to you once satisfactory security checks have been conducted. You or your representative will then be invited to a training course and the branch will transfer to you shortly afterwards. Overall the process takes a minimum of three months.

CAN WE HELP?

Over the last six decades we have been involved in thousands of Post Office sale transfers, in fact on average across the last 10 years we have sold one Sub Post Office each week. No wonder we have an excellent understanding of the process involved. Buying through Ernest Wilson means you benefit from that expertise.

If running a Sub Post Office interests you, we are only a phone call away.



Part of **Eddisons**

TRIED AND TRUSTED SINCE 1956

T: 0113 238 2900

The Business Centre, Deanhurst Park, Gelderd Road,
Gildersome, Leeds, West Yorkshire, LS27 7LG

e: sales@ernest-wilson.co.uk
www.ernest-wilson.co.uk

