

COUNTRYSIDE ALLIANCE BRIEFING NOTE: GOVERNMENT SUPPORT FOR BUSINESSES IN RURAL AREAS

Westminster Hall, Steff Aquarone MP

Wednesday 18 June 2025

- **This debate will be held on the day of the Countryside Alliance Awards Champions Reception, where regional and home nation champions from across the UK will gather at the House of Lords to celebrate their success and learn which of them have been named as UK Champions. The Awards are the Countryside Alliance's direct contribution to supporting rural businesses.**
- **Businesses in rural areas are substantially impacted by the rural premium: the added costs of living people face by virtue of living in a rural area. This is a key challenge to rural Britain and reflects the reality of our members' and supporters' daily lives.**
- **On 25 February the Defra Secretary, Steve Reed MP, addressed the NFU Conference and made a range of commitments intended to support the food and farming sector and boost profitability.**
- **At the last Budget the Chancellor announced a plan to introduce permanently lower business rates multipliers for high-street retail, hospitality and leisure properties from 2026-27, funded through a higher multiplier for the most valuable properties.**
- **The Chancellor's announcement that the availability and thresholds for Agricultural Property Relief and Business Property Relief would be restricted has, however, produced a furious reaction among farmers.**
- **Rural tourism in England contributes over £13 billion per year to the economy, making up a substantial part of the overall £97 billion value of tourism in England. It makes a significant contribution to the rural economy, supporting village shops and services, jobs and businesses.**
- **The Rural Premium and issues with local business viability underscores the need for a more joined-up approach within government to rural policy.**

Background

- **Businesses in rural areas are substantially impacted by the rural premium: the added costs of living people face by virtue of living in a rural area. This is a key challenge to rural Britain and reflects the reality of our members' and supporters' daily lives.**
- **Recent high levels of inflation had a disproportionate impact on village shops and broader rural enterprises. It has posed risks to small local shops, farm shops and craft producers operating with higher production costs by forcing consumers, with less disposable income, to substitute cheaper, mass-produced goods and shop at larger discounted stores.**

- Rising energy prices, general inflation and reduced disposable incomes have especially affected the viability of rural businesses that target discretionary spending, such as those in the tourism and hospitality sectors.
- Closing local services also exacerbates the problem of rural living requiring longer journey times and higher transport costs. Our research conducted in 2022 found that rural households were spending almost £800 a year more on fuel than people who live in urban areas, and spend up to 6 pence per litre more for petrol.¹
- Defra figures reinforce the suggestion that rural life necessitates longer journeys. According to the figures, in 2021, each resident in rural villages, hamlets and isolated dwellings travelled 6,450 miles on average; this is 2,000 miles more per person than those living in urban city and town areas (4,460 miles) and 2,800 miles more per person than those living in urban conurbations (3,660 miles).²

Recent government announcements

- On 25 February the Defra Secretary, Steve Reed MP, addressed the NFU Conference and made a range of commitments intended to support the food and farming sector and boost profitability. These included:
 - Extending the seasonal workers visa scheme for five more years.
 - Steps towards greater public sector procurement of British produce.
 - A further £110 million investment in technology grants.
 - Protecting farmers in trade deals.
 - Strengthened biosecurity through a new £200 million National Biosecurity Centre.³
- Subsequently on 4 March the government announced up to an additional £38 million of funding for rural communities more broadly.
- The announcement mostly consisted of up to £33 million being directed to the Rural England Prosperity Fund, used to improve local infrastructure and essential services that benefit rural communities and help businesses in rural areas to expand. Projects eligible for grant funding include creating rural business hubs, diversification, community gardens, footpaths and community kitchens.
- The remaining up to £5 million will support rural services. Part of this will be directed to the Rural Community Assets Fund, which provides capital funding for the refurbishment and development of community-owned assets such as village halls or community centres, and part will support Rural Housing Enablers who help bring forward sites for affordable housing.⁴

¹ Countryside Alliance, [Parliamentary group highlights 'rural premium'](#), 28.04.23

² Defra, [Statistical Digest of Rural England: 5 – Connectivity and Accessibility](#), 06.24

³ Defra, [Government announces raft of new policies and major investment to boost profits for farmers](#), 25.02.25

⁴ Defra, [Government funding for rural communities set out](#), 04.03.25

Business rates

- At the last Budget the Chancellor announced a plan to introduce permanently lower business rates multipliers for high-street retail, hospitality and leisure properties from 2026-27, funded through a higher multiplier for the most valuable properties. For 2025-26, the small business multiplier will be frozen.⁵
- The importance of business rates to local businesses' prospects for success were demonstrated in Wales by the result of the Welsh Government's decision to cut the discount on business rates for the retail and hospitality sectors. The has BBC reported a warning from UK Hospitality Cymru that rising costs had left some businesses "on the edge".⁶

Tourism, pubs and hospitality

- Rural tourism in England contributes over £13 billion per year to the economy, making up a substantial part of the overall £97 billion value of tourism in England. It makes a significant contribution to the rural economy, supporting village shops and services, jobs and businesses.
- From 1 February 2025, alcohol duty rates on draught products below 8.5% alcohol by volume (ABV) by 1.7%, so that an average ABV strength pint will pay 1p less in duty. Alcohol duty rates on non-draught alcoholic products will increase in line with RPI inflation.
- Any benefit to rural pubs from the alcohol duty cut may, however, be eclipsed by added costs imposed as a result of the increase in Employers' National Insurance Contributions from 13.8% to 15%, which is likely to have a significant impact on all small businesses.
- The UK is one of only four countries in Europe not to take advantage of a reduced rate of VAT which means British families or international visitors holidaying in the UK pay almost three times as much VAT compared to a German break, and twice as much as one in Italy, France, and Spain.
- Continuing to reduce tourism VAT would help lower prices and allow businesses to increase investment, especially in the fragile coastal communities. Research by the Cut Tourism VAT campaign has found that a cut in tourism VAT would contribute an extra £4.6 billion to HM Treasury over ten years and create 121,000 jobs.

Post offices

- A 2022 report by Citizens Advice has highlighted the decline of postal services in rural areas. It shows that despite 1 in 4 (23%) rural residents using a post office at least once a week compared to just 17% of urban residents, these services are under threat.⁷
- Research in the report also showed that 1 in 3 rural post offices were being offered as part-time "outreach" services, open for an average of just 5.5 hours a week. One was open for only 10 minutes per week.

⁵ HMT, [Autumn Budget 2024](#)

⁶ BBC News, [Business rate rise causing hurricane, say traders](#), 09.05.24

⁷ Citizens Advice, [Gaps in the network: Impact of outreaches and temporary closures on post office access](#), 28.01.22

- Post office closures harm both the sustainability and economic viability of surrounding communities. 8 in 10 small businesses in remote rural areas would lose money if local post offices were closed.
- The post office network also offers an important means of accessing cash, either using its own financial products or because it provides access to the current accounts of 26 other banks and the business accounts of over 15 other banks.

Banking services

- Sweeping bank closures are being blamed by banks on the lack of usage, with fewer and fewer users going into their local branch and preferring to bank online. However, closures in rural areas, especially in the absence of reliable mobile or broadband connectivity, can present particularly serious challenges.
- In December 2024 the House of Commons heard a Westminster Hall debate on financial inclusion in rural areas. MPs from across the House and the country reported difficulties in securing for their constituents banking services and access to cash, including as a result of refusals to open banking hubs.⁸
- As suggested above, the Countryside Alliance believes that the issues of post office viability and lack of access to banking services can and should be linked, with the provision of banking services at post office counters offering an additional revenue stream that will bolster their prospects for survival.

Immediate priorities

- Budget announcements by the Chancellor of the Exchequer, Rachel Reeves MP, restricting the availability and thresholds for Agricultural Property Relief and Business Property Relief have produced a furious reaction among farmers.
- With Countryside Alliance analysis showing that there are 190 Labour MPs at least part of whose constituencies are rural, it was reported in March that around 40 Labour MPs had met Treasury officials to express disquiet about the changes.⁹ Subsequently in May, the Labour-majority EFRA Committee called on the government to delay and change the measures.¹⁰
- The Countryside Alliance strongly supported and helped shape the Equipment Theft (Prevention) Act 2023¹¹, brought in as a Private Member's Bill by Greg Smith MP. The Act targets the theft and re-sale of equipment used by tradespeople and agricultural and other businesses, requiring that they be fitted with engine immobilisers, securely marked and recorded when sold. We believe the Act stands to make an important contribution to tackling rural crime.

⁸ HC Deb, 11.12.24, [v758](#)

⁹ The Express, [Full on Labour revolt over Rachel Reeves as 40 MPs send furious letters over tax plans](#), 06.03.25

¹⁰ Countryside Alliance, [Commons committee backs Family Farm Tax campaign](#), 16.05.25

¹¹ Legislation.gov.uk, [Equipment Theft \(Prevention\) Act 2023](#)

- To be brought into force, however, the Act requires the government to bring secondary legislation to define the requirements it establishes. This has yet to be done and we urge it to move forward without further delay. The government's current position is that the regulations will be in place by the summer.¹²

Countryside Alliance Awards

- This debate will be held on the day of the Countryside Alliance Awards Champions Reception, where regional and home nation champions from across the UK will gather at the House of Lords to celebrate their success and learn which of them have been named as UK Champions. The Awards are the Countryside Alliance's direct contribution to supporting rural businesses.
- This year's Awards received thousands of nominations across the five categories of Village Shop / Post Office, Local Food and Drink, Rural Enterprise, Butcher and Pub. Many inspiring entries were received from across the country. It is clear that the businesses themselves are every bit as appreciated by, and important to, local communities as the goods and services they provide.
- The Awards, otherwise known as "The Rural Oscars," are the most prestigious rural business awards to win and give a voice and a platform to the best of our produce, enterprise, heritage and communities.
- In addition to the UK Champions Reception, the home nations each enjoyed their own ceremony. [Scotland's](#) was held at the National Museum of Scotland on 13 March, [Northern Ireland's](#) at Titanic Belfast on 01 April, and [Wales's](#) at the Senedd on 29 April. Details of the [English regional champions](#) are also available on our website.
- The awards aim to shine a spotlight on the incredible businesses, individuals, and initiatives that make the United Kingdom's countryside a thriving, dynamic place to live and work.

Countryside Alliance position

- The Rural Premium and issues with local business viability underscores the need for a more joined-up approach within government to rural policy. These issues, plus others such as the availability of healthcare and transport, touch on matters that fall under the purview of a broad range of government departments, yet unlike other thematic policy areas including animal welfare and net zero, there appears to be no instrument for developing an overarching policy or strategy.
- Having long campaigned for reform of business rates the Countryside Alliance welcomed UK Government plans to support businesses in the retail, hospitality and leisure sector and to consult with businesses in designing reforms.
- The tourism and hospitality industry should work with the Government to help deliver a tourism sector that operates 365 days of the year and can attract visitors outside the traditional summer season.

¹² HC Deb, 13.01.15, [c10](#)

- The Countryside Alliance has long made the point that post offices must remain relevant in modern times through supporting growth in activities like online shopping through parcel collection and delivery, and to continue to pick up slack as banks and shops close in rural areas.
- The expansion of financial services through post offices could replace lost banking and financial services to rural communities and small businesses, ensuring the long-term viability of the network and that the post office remains at the centre of rural community life. As such, we welcomed the pledge in the Labour manifesto for the 2024 General Election to support the Post Office network with new business models including banking hubs.

For more information please contact:

Sarah Lee

Director of Policy

Sarah-Lee@countryside-alliance.org

David M Bean

Parliament & Government Relations Manager

David-Bean@countryside-alliance.org