

## **COUNTRYSIDE ALLIANCE BRIEFING NOTE: CLOSURE OF HIGH STREET SERVICES IN RURAL AREAS**

**Westminster Hall, Jamie Stone MP**

Wednesday 05 February 2025

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- **Closures of high street services in rural areas are both a consequence and a cause of the rural premium: the added costs of living people face by virtue of living in a rural area. Recent high levels of inflation have had a disproportionate impact on village shops and broader rural enterprises.**
- **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. We are, however, concerned about the impact of the increase in employer National Insurance Contributions.**
- **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 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.**
- **Alongside rural pubs and other local businesses, village halls remain essential to the fabric of many rural communities across the country.**

### **Background**

- **Closures of high street services in rural areas are both a consequence and a cause of 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 have had a disproportionate impact on village shops and broader rural enterprises. It has posed risk to small local shops, farm shops and craft producers operating with higher production costs if consumers, having less disposable income, are forced 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.<sup>1</sup>
- 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).<sup>2</sup>

## **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.<sup>3</sup>
- 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".<sup>4</sup>

## **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.

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

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

<sup>3</sup> HMT, [Autumn Budget 2024](#)

<sup>4</sup> BBC News, [Business rate rise causing hurricane, say traders](#), 09.05.24

## 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.<sup>5</sup>
- 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.
- 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 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 of banking hubs.<sup>6</sup>
- 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.

## Village halls

- The previous government’s Budget of March 2024 included an additional £5 million for grants to support upgrades to village halls, administered through the Platinum Jubilee Village Halls Fund. Upon its launch in December 2022, the fund was worth £3 million.<sup>7</sup>
- The Fund has, however, now closed to new applications.
- The Countryside Alliance welcomed the additional investment, at a level of 166% of the initial fund – which was expected to support around 125 village halls.

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<sup>5</sup> Citizens Advice, [Gaps in the network: Impact of outreaches and temporary closures on post office access](#), 28.01.22

<sup>6</sup> HC Deb, 11.12.24, [v758](#)

<sup>7</sup> HMT, [Spring Budget 2024](#)

## **Countryside Alliance position**

- The Rural Premium and issues with local service closures 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.
- Longstanding problems with the availability of public transport in rural areas mean closures of local services have a disproportionately high impact in these parts of the country, making it especially difficult to travel elsewhere to access them. The resulting isolation risks disadvantaging vulnerable sections of the community, such as the elderly, the young and those unable to afford private transport.
- 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.
- 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.
- Alongside rural pubs and other local businesses, village halls remain essential to the fabric of many rural communities across the country.

### **For more information please contact:**

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