Countryside Alliance
The Voice of the Countryside

COUNTRYSIDE ALLIANCE BRIEFING NOTE: BUDGET STATEMENT 2024

Thursday 30 October – Wednesday 06 November 2024

- **In approaching this Budget the focus of the Countryside Alliance has been on addressing the 'rural premium': the added costs that residents must pay 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.**

- **In support of that objective the Alliance made three key requests of the Chancellor ahead of the Budget: to maintain fuel duty at current levels, to declare that any future model for road pricing will recognise and account for rural needs, and to reduce the VAT rate on domestic heating oil to zero. We also asked for investment in upgrading the rural electricity grid.**

- **We warmly welcome the Chancellor's decision to maintain the freeze on fuel duty. As we raised with her in advance, our research has found that rural households spend almost £800 a year more on fuel than people who live in urban areas, paying up to 6p per litre more for petrol. Hiking fuel duty would only have increased the financial pressure on working people living in rural communities.**

- **In the longer term, we expect the Treasury to seek new means of taxing private transport given the shortfall in fuel duty that will arise from the decline in internal combustion engine cars on the road. Any road pricing system must account for the need of people in rural areas to take more and longer journeys.**

- **We regret that the Chancellor has not taken up our suggestion to use powers returned to the UK following our departure from the EU to reduce the VAT rate on domestic heating oil to zero.**

- **We have long stood up for rural pubs owing to their special importance within smaller communities. As such we welcome the cut in beer duty by 1p per pint, but would have preferred to see similar relief applied to non-draught products, whose duty will rise in line with the Retail Prices Index (RPI).**

- **It is disappointing that the government continues with its intention to restrict eligibility for the Winter Fuel Payment by the means announced in July. Withdrawing a benefit intended to help meet heating costs for all pensioners not qualifying for income-related benefits, without reference to elevated rural heating costs, risks exacerbating the rural premium.**

Fuel duty

Budget announcements:

- In 2022 the fuel duty level was cut by 5p per litre, ostensibly for one year, but last year it was extended until 2024.
- In the Budget, the Chancellor announced that the current rate of fuel duty, including the 'temporary' cut, would be maintained.

Countryside Alliance position:

- The Countryside Alliance warmly welcomes the Chancellor's decision to maintain the freeze on fuel duty.
- Countryside Alliance research, highlighted in the APPG for Rural Business and the Rural Powerhouse report on the rural premium launched in April 2023, shows that rural households spend almost £800 a year more on fuel than people who live in urban areas, and spend up to 6p per litre more for petrol. The cost of petrol is a critical issue facing rural communities.
- Pressure on rural communities' finances remains, which is why we argued that now was not the time to let the cut lapse, which would have had the effect of raising fuel duty by 5p from the current level.
- We therefore asked that the Chancellor not only maintained the current level of fuel duty, with the 5p cut intact but also made the reduced level permanent so that rural motorists would no longer have to face the spectre of an automatic rise after each successive Budget. While this suggestion has not been taken up, we welcome that the level will not change for the time being.
- Hiking fuel duty would only increase the financial pressure on working people living in rural communities. It would make the problem of the 'rural premium' worse still.

Access to rural transport

Budget announcements:

- The bus fare cap has been extended to December 2025, at the higher rate of £3 beginning in January.
- No information was shared about the principles of a potential future road pricing scheme, nor of investment in local electricity infrastructure required in rural areas to account for rising demand on account of the gradual switch to electric vehicles.

Countryside Alliance position:

- While it is welcome that a cap on bus fares will remain until December next year, the 50% increase in its rate – from £2 to £3 – does represent an added cost to working people in rural areas who rely on buses to reach nearby centres of population and access jobs and services there.
- There has recently been speculation that the government plans to restore 2030 as the date from which the sale of new petrol and diesel cars will be prohibited.
- We are concerned about the readiness of the electricity grid in rural areas to bear the additional load from large numbers of additional electric vehicles being charged, especially at peak times. As such we called on the Chancellor to provide the investment needed to ensure local electricity grids in rural areas had sufficient capacity to cope with the transition to electric vehicles.

- Regarding taxation, we also recognise that the Treasury will, in the longer term, seek new means of taxing private transport given the shortfall in fuel duty that will arise from the decline in internal combustion engine cars on the road.
- In 2022 the Transport Committee issued a report on road pricing, which recommended a national road pricing system based on distance, time and the type of vehicle travelled in. The report also raised the issue of fairness, which is what principally concerns us.
- Rural households pay so much more in fuel duty than urban households principally because rural life necessitates more, longer journeys, and more of those taken in private transport.
- It is therefore essential that any road pricing system accounts for this state of affairs so that the framework can alleviate, not exacerbate, the rural premium. While the government may not yet be in a position to make a concrete announcement on the shape of a future road pricing model, it is within its power to declare that such a model will recognise and account for rural needs.

Domestic heating fuel

Budget announcements:

- No measures were announced in the Budget to ease the costs of domestic heating fuel.

Countryside Alliance position:

- The Countryside Alliance has long campaigned for people living in homes without a connection to the gas grid. We welcomed the previous Prime Minister’s announcement in September 2023 that the mooted ban on like-for-like replacements of oil boilers would be put off until 2035, and homes that could not be reliably heated by other means would not be forced to switch. We have therefore urged the current government not to reverse this policy and risk leaving rural homes without an adequate source of heating.
- In recognition of the higher costs faced by those who rely on domestic heating fuel, we therefore asked that the Chancellor use powers returned to the UK following our departure from the EU to reduce the VAT rate on domestic heating oil to zero. We regret that this suggestion was not taken up.
- We have also suggested a cut in the VAT payable by rural businesses that use the fuel, which (above small quantities) is chargeable at the full rate of 20% since the reduced rate of 5% applies only to domestic properties.

Alcohol duty

Budget announcements:

- 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.

Countryside Alliance position:

- The Countryside Alliance has long stood up for rural pubs owing to their special importance within smaller communities, and as such we welcome the planned cut to draught beer duty. That said, we would have preferred to see similar relief applied to non-draught products.
- We are also concerned that any benefit to rural pubs from the alcohol duty cut may be eclipsed by added costs imposed as a result of the increase in Employers’ National Insurance Contributions.

Winter Fuel Payment

Budget announcements:

- The Chancellor announced in July that the government planned to restrict eligibility for the Winter Fuel Payment to pensioners receiving an income-based benefit. For most this will be Pension Credit, but the other benefits conferring eligibility are Universal Credit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.
- The Budget confirmed the July announcement.

Countryside Alliance position:

- As the Countryside Alliance argued in The Telegraph[1], a blanket restriction in eligibility for the payment risks hitting rural pensioners hardest. It overlooks the fact that, as the government's own figures show, rural areas of Britain face both higher rates and levels of fuel poverty. These are exacerbated by a greater reliance on more expensive heat sources than gas, since rural properties are much more likely to lack a connection to the grid.
- Taking England as an example, the latest government figures show that last year, households in rural areas had a higher rate of fuel poverty (15.5%) than semi-rural (12.5%) or urban (12.8%) areas. At £778, they also experienced a far higher fuel poverty gap: that is, the amount of extra income a fuel-poor household would need to bring in each year to escape fuel poverty. Similarly, 20.0% of off-grid households were in fuel poverty compared with 11.8% of households on the gas grid; those fuel-poor off-grid homes faced an average fuel poverty gap of £801.[2]
- Eligibility for the benefits that under the government's new plans will grant access to the Winter Fuel Payment, however, is solely determined by an individual's or couple's income. It takes no account of where people live, or how the heating costs they face might be affected as a result.
- Withdrawing a benefit intended to help meet heating costs for all pensioners not qualifying for income-related benefits – some of whom will inevitably miss out only marginally – without reference to elevated rural heating costs risks exacerbating the rural premium.
- Research around the fuel poverty figures also found continuing problems with energy efficiency in the rural housing stock. The government has pledged to combat poor insulation and offer help, but no firm plans have been set out and no benefit will be felt before the restriction comes into effect.
- We recommended that the government should look at an alternative means of withdrawing the payment from genuinely well-off households. Perhaps it might taper the benefit at higher income levels, as is already done with Child Benefit, instead of creating a cliff-edge.
- Assessing income independently of benefit eligibility could, in theory, make it possible to set higher thresholds for those residing in rural properties, or alternatively for properties off the gas grid, which would go some way to addressing the disparity in heating costs.

Other Budget measures

Budget announcements:

- The government is reducing the scope of agricultural property relief and business property relief. The effect of the change is that beyond the first £1 million value of combined agricultural and business property, inheritances will be taxed at a rate of 20%.

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[1] The Telegraph, Millions of rural pensioners to be hardest hit by 'cruel' winter fuel raid, 14.08.24
[2] DESNZ, Annual fuel poverty statistics report: 2024, 15.02.24

- A plan was announced 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.
- The Defra budget has been increased to £7.5 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 2.7% from 2023-24 to 2025-26.
- The Budget announced a consultation to take place next year on proposals to bring remote gambling (meaning gambling offered over the internet, telephone, TV and radio) into a single tax, rather than taxing it through a three-tax structure.

Countryside Alliance position:

- We are concerned about the possibility that changes to agricultural property relief and business property relief may threaten the long-term viability of the family farm. Young farmers taking over their parents' farms already face significant challenges breaking even. The possibility of facing a 20% inheritance tax bill above the first £1 million in business value at the outset may prove one obstacle too many.
- Having long campaigned for reform of business rates we welcome plans to support businesses in the retail, hospitality and leisure sector and to consult with businesses in designing reforms.
- We welcome protection for the Defra budget, particularly with the ongoing transition to the new payment schemes.

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