

COUNTRYSIDE ALLIANCE WRITTEN EVIDENCE

APPG FOR RURAL BUSINESS AND THE RURAL POWERHOUSE

Cost of living in rural areas

November 2022

Introduction

- The Countryside Alliance is a membership organisation that works for everyone who loves the countryside and the rural way of life. We reflect the views and interests of 100,000 members and supporters who come from all walks of life and every part the United Kingdom.
- The Countryside Alliance welcomes the APPG's Inquiry into the cost of living in rural areas and is pleased to contribute our views and the results of our research.

General impact on business and consumer

What are the main impacts of the current crisis on businesses and consumers? Are there challenges uniquely faced in rural areas?

How long do you expect the economic downturn to last? Will this downturn be more pronounced in rural areas?

Are there ways in which businesses and consumers can mitigate the impacts? Who is best placed to deliver advice for businesses and consumers on this?

What sort of government support would you like to see for rural businesses and consumers?

Is the choice between direct financial aid and lower-tax, lower-regulation?

- The cost of living crisis is primarily driven by spiralling energy costs arising from Russia's war on Ukraine. While these and the resulting general price inflation affect all parts of the country, people in rural areas face additional challenges.
- First, the inability to access the gas grid owing to a lack of a connection to it leaves households reliant on alternative sources of fuel for heating, or on electricity. The latest fuel poverty statistics reveal that over half of rural homes are off the gas grid, compared to less than 10% of urban properties.
- Second, housing stock in rural areas is often older and less energy efficient. The amount of energy a household residing in such housing is required to buy (regardless of source) to heat a home adequately is greater than that of one residing in newer, more energy efficient housing.

- The fuel poverty statistics also find that while rates of fuel poverty are roughly equivalent between rural and urban homes, the fuel poverty gap – the amount of extra money fuel-poor households would need to bring in to escape it – for rural homes averages at more than double that of equivalent urban homes. This goes to show the extent to which fuel poverty afflicts rural households.
- It is difficult to see how the downturn can end while energy prices remain at current elevated levels. A resolution of that conflict would therefore seem to be a prerequisite for a return to normality. That said, it was recently reported that wholesale energy costs are being forecast to fall over winter, thanks to unexpectedly warm weather and an increase in liquefied natural gas shipments to Europe.
- The Government must, however, ensure that any fall in wholesale energy costs is passed on to consumers, with energy companies meticulously scrutinised, whether through Ofgem price capping mechanisms or otherwise. Consumer energy prices cannot be permitted to settle permanently at the current elevated levels.
- Rural areas also face elevated transport costs, with Countryside Alliance research showing that rural households were having to spend nearly £800 a year more on fuel than people who live in urban areas.

Employment

What is the impact of the cost of living crisis on employment in rural areas?

Do you expect to see wage price inflation?

Are specific industries being affected more?

Will this crisis lead to a restructuring of rural businesses?

Are there any opportunities for new labour pools to fill employment gaps in rural areas?

If industrial action was to continue to increase, how would it affect rural businesses and rural areas? Would rural areas be disproportionately affected?

- We are concerned about the impact of rising energy prices, general inflation and reduced disposable incomes on the viability of rural businesses that target discretionary spending, such as those in the tourism and hospitality sectors that are prevalent in rural areas, and on the levels of employment they can provide.
- There is also a 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 discount stores.
- Some element of wage price inflation would seem to be inevitable given the increasing costs workers face as consumers, which could serve as an additional driver of general price inflation given the cost of labour as an input cost for businesses. This is likely to be exacerbated by the ongoing shortage of seasonal workers following Brexit.
- The degree to which rural areas would be especially affected by industrial action would depend upon the sectors involved. Strikes affecting rural bus services would disproportionately affect isolated communities with residents that rely on them for external travel; meanwhile postal strikes would affect older residents reliant on post as a means of communication, and on those reliant on product deliveries made by affected companies.

Housing

How is the cost of living crisis affected by the supply of rural housing?

What will be the impact of the cost of living crisis on the private rented sector in rural areas?

What impact has rising house prices caused in rural communities?

What is needed to help rural landlords support their tenants?

Following Scotland's recent announcement on a rent cap, should England follow suit?

- The need for more housing stock is not just an issue in towns and cities. Many rural areas are also suffering from a lack of housing, especially affordable housing. That shortage is one of the greatest challenges for communities across the country, including in rural areas.
- Rent levels are under particular pressure at the moment, and rural areas are especially attractive to owners of second homes that might otherwise house permanent local residents. Rising mortgage rates combined with projected medium-term house price falls also presents new homeowners with the risk of falling into negative equity.
- We welcome the Government's continued investment in housing and especially affordable housing, but we recognise that there is a particularly acute need in rural areas and would encourage the Government to recognise this when allocating funding across the country.
- It is vital that the planning system is efficient and planning policies achieve a balance between delivering sustainable housing development, supporting local businesses, and protecting the amenity of the countryside.

Energy

Is the current energy price cap for consumers appropriately set? Is the six-month support package for businesses enough?

What support is needed for households not on the gas or electric grid?

Are those living in rural areas more at risk of fuel poverty? What should be done to reduce this?

What impact, if any, will the cost-of-living crisis have on efforts to decarbonise?

What are the main barriers to increasing power and heat security in rural areas? (e.g., through the production of renewable energy, battery storage and local grids)

- Countryside Alliance research, concluding in September, found that of those households that were reliant on alternative fuels, 81% used domestic heating oil, 12% solid fuels such as wood and charcoal, and 7% LPG.
- We asked by what percentage respondents estimated their fuel bills had increased compared with the same time last year. They reported as follows:
 - 25% increase: 8% of respondents
 - 50% increase: 24% of respondents
 - 75% increase: 10% of respondents

- 100% increase: 45% of respondents
 - Other % increase: 13% of respondents
- 48% of respondents reported that they had not filled their tanks to the same level as in the previous year. Of those, 77% were planning to put less fuel in their tanks this year. 57% of all respondents expected to use their heating less this year.
- We asked whether respondents felt the Government was doing enough to support households that are not connected to the main gas grid network: 92% did not. We then asked what new actions beyond what has been announced they would prefer to see, with the following results:
 - 8% of respondents wanted some of the £400 paid directly into their account to pay for alternative fuel.
 - 34% of respondents wanted all of the £400 paid directly into their account to pay for alternative fuel.
 - 42% of respondents wanted the Government to remove VAT on domestic fuel.
 - 16% of respondents suggested alternative solutions such as a cap on oil price, support towards alternative heating solutions, the removal of the green levy, and reducing or removing standing charges.
- The Countryside Alliance is calling on the Government to work with domestic heating oil suppliers to provide means for customers to spread their costs over time, as opposed to having to find an increased sum of money to pay up front for their oil tank to be filled.