

COUNTRYSIDE ALLIANCE BUDGET NOTE

BUDGET STATEMENT 2023

March 2023

- The Countryside Alliance is relieved to see the UK's economic outlook improving, and we welcome the Chancellor's efforts to share the proceeds of economic recovery with rural areas.
- The retention of the £2,500 energy price guarantee for a further three months, after which prices are expected to start falling, will be welcome news for struggling rural households. However, it remains unclear what support businesses and those off grid homes will receive in terms of energy bills and we will be seeking clarification on that.
- We have repeatedly called for a VAT cut on fuel, and while this has not been taken up, we are pleased that fuel duty will neither be updated nor increased, with the freeze and 5p cut extended for another year.
- We welcome the Chancellor's announcement of the enhanced duty relief scheme for drinks sold from draught, which we hope will provide a lifeline for rural pubs that in many areas represent the heart of their community.
- Potholes are a particular blight on rural roads so we welcome the Government's increase in funding for local authorities to tackle them. Given the disproportionate impact of potholes on rural roads and the communities that rely on them, we would expect a degree of preference to be shown in awarding funds to those areas that are especially badly affected.

Energy bills

Budget announcements:

- The Energy Price Guarantee will be maintained for an additional three months, after which prices are expected to fall as a result of wholesale energy prices, which have settled down from their peak levels reached following Russia's invasion of Ukraine, making their way through to retail.
- Energy prices paid by consumers will therefore remain for this additional period at an annualised rate of £2,500 for a typical household.
- Energy charges for households on prepayment meters will be brought into line with comparable direct debit contracts, so there will no longer be a premium payable by these households.

Countryside Alliance position:

- The retention of the £2,500 Energy Price Guarantee for a further three months, after which prices are expected to start falling, will be welcome news for struggling rural households, however, it remains unclear what support businesses and those off grid homes will receive in terms of energy bills, and we would ask for clarification on that.
- The Alternative Fuel Payments scheme was introduced in recognition of the fact that households off the gas grid and reliant on alternative fuels such as heating oil would not be able to benefit from Energy Price Guarantee support in respect of their heating costs, as customers on the gas grid would.
- The Budget Statement made no specific mention of Alternative Fuel Payments being extended in light of the extension of the Energy Price Guarantee. The Red Book makes a minor reference, as follows:
“The Department for Energy Security and Net Zero plans in 2022-23 exclude... £0.7 billion of funding for Alternative Fuel Payments. In 2023-24, plans for the Department for Energy Security and Net Zero exclude £50 million of funding for Alternative Fuel Payments, and plans for the Reserves exclude... £72 million for Alternative Fuel Payments...”¹
- This would seem to suggest that the Treasury anticipates some level of expenditure with respect to Alternative Fuel Payments, but it is unclear whether this will represent any further payments made as a consequence of the extension to the Energy Price Guarantee.
- The Budget also made no mention of any further energy support for businesses.

Fuel duty

Budget announcements:

- Fuel duty will be neither updated nor increased.
- Instead, the planned 5p cut and freeze has been extended by another year.

Countryside Alliance position:

We have repeatedly called for a VAT cut on fuel, and while this has not been taken up, we are pleased that duty will neither be updated nor increased, with the freeze and 5p cut extended for another year.

- Rural households are more dependent on their car to access basic services and commute and so any increase in fuel prices impact them disproportionately.
- Research by the Countryside Alliance shows that rural households were having to spend nearly £800 a year more on fuel than people who live in urban areas.
- At the Autumn Statement in November we expressed disappointment that the Chancellor did not at that time reference fuel duty, and pledged to campaign for the lower rate to be maintained and ideally cut further still; we therefore welcome that it has been extended by another year.
- We continue to call for a VAT cut on fuel. The ability to vary VAT rates freely has been expounded as a key benefit of Brexit and we believe its use would be fully justified in this case.

¹ HMT, Spring Budget 2023, P.34, Footnote 8
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Pubs and alcohol duty

Budget announcements:

- Alcohol duty rates will be frozen until August 2023. From 1 August, Draught Relief will be increased to 9.2% for beer and cider, and 23% for wine, other fermented beverages and spirits.
- This will freeze the duty charged on a typical pint of beer in the pub and ensure this will always be lower than in the supermarket.
- Duty rates will, however, otherwise increase in line with RPI from August.

Countryside Alliance position:

- We welcome the Chancellor's announcement of the enhanced duty relief scheme for drinks sold from draught, which we hope will provide a lifeline for rural pubs that in many areas represent the heart of their community.
- The Countryside Alliance has long stood up for rural pubs owing to their especial importance within smaller communities.
- In 2021 a survey we conducted revealed that many rural pubs are on the brink of closure after recent rapid declines in footfall, attributable largely to the coronavirus emergency.
- The survey of 32 pubs from across the country found just that just one pub had seen an increase in trade in 2021 while 30 saw a drop. 35% had been forced to lay off staff and 48% were closing early.
- Given the increased operational costs faced by pubs when compared with alcohol-licensed supermarkets, it is reasonable for the tax system to treat them more favourably in terms of the alcohol duty levied on their sales.

Potholes

Budget announcements:

- An additional £200 million was announced in 2023-24 for local authorities to maintain and improve local roads, and in particular to address potholes.
- This funding is expected to enable local authorities in England to fix more potholes, complete resurfacing, and invest in major repairs and renewals, fixing the equivalent of 4 million potholes across the country.

Countryside Alliance position:

- Potholes are a particular blight on rural roads so we welcome the Government's increase in funding for local authorities to tackle them. Given the disproportionate impact of potholes on rural roads and the communities that rely on them, we would expect a degree of preference to be shown in awarding funds to those areas that are especially badly affected.
- In February 2022 we warned that the countryside risked being 'levelled down' after alarming figures showed that some 11.5 million potholes risked not be repaired by rural councils during the year. Funding for rural councils as set to be cut by £480 million, despite the Government pledging in 2019 to embark on 'the biggest-ever pothole filling programme'.
- The County Councils Network said that 13,000 miles of rural roads in the 36 affected county areas had been identified as requiring maintenance. In 2020/21, the first tranche of the pothole fund saw funding rise to £1.206bn for 36 county and unitary councils outside of England's major cities. However, two years later, capital funding for these authorities risked falling to just £727m next year – a cut of £480m.

- We therefore welcome this funding increase which should partially address the shortfall.

For more information please contact:

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