

COUNTRYSIDE ALLIANCE BRIEFING NOTE

BUDGET STATEMENT 2017 (2)

Debate on the Budget

November 2017



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Introduction

The need for investment in digital connectivity, support for services, and new housing is vital for many communities across the country, including in many rural areas. We are concerned that this latest Budget seems wholly focussed on urban areas and there is a danger that people in rural areas will not benefit from the measures announced.

Delivering a strong economy, increased productivity and thriving communities cannot be achieved without recognising the vital role the countryside has to play. Post Brexit, the countryside has a key role to play in boosting our productivity and must get its fair share of the measures announced in the Budget from housing to 5G and high speed broadband delivery.

Digital Connectivity

Budget Measures:

- **5G testbeds and trials** – £160 million from the National Productivity Investment Fund in new 5G infrastructure. The first projects to benefit are:
 - £10 million to create facilities where the security of 5G networks can be tested and proven, and
 - £5 million for an initial trial, starting in 2018, to test 5G applications and deployment on roads.
- **Local full-fibre networks** – £190 million Challenge Fund that local areas around the country will bid for to encourage faster rollout of full-fibre networks by industry.

Countryside Alliance Response:

- We believe that high speed broadband is an essential service alongside water, electricity and gas; but is nowhere near as available in rural areas as it is in urban areas. This view is shared by Ofcom and highlighted in their Connected Nations Report published in December 2016.

- The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy currently worth £400bn annually. The business opportunity includes 28 per cent of all UK firms and over one million small businesses.
- A number of measures were announced in the Budget in March including £16 million to create a new National 5G Innovation Network to trial and demonstrate 5G applications and £200 million to roll out a series of local projects to accelerate market delivery of fast and reliable full-fibre broadband to more homes and businesses. There was no update on the progress of these measures in this latest Budget.
- 1.4 million premises remain unable to access broadband speeds over 10 Mbit/s, the speeds required to meet a typical household's digital needs, which is also the proposed speed of the Government's Universal Service Obligation. This is down from around 2.4 million in 2015 although 960,000 premises in rural areas are still unable to access download speeds above 10 Mbit/s. Superfast broadband, measured at 30 Mbit/s, is now available to 89 per cent of UK homes although only 59 per cent of homes in rural areas are able to access superfast speeds.
- There is still a lot more to do, particularly in boosting mobile and broadband coverage, and improving the quality of service provided by telecoms companies. For example, rural areas still lag behind on broadband, with around a quarter of rural properties unable to get a 10 Mbit/s connection and 4G coverage in rural areas is only 37 per cent of landmass, compared to 89 per cent in towns and cities.
- We welcomed the Digital Economy Act and we hope that the Act will ensure that digital connectivity is delivered in rural areas. One of the main obstacles to high speed broadband and mobile connectivity in rural areas is the lack of infrastructure able to support high speed connections. We also welcomed the proposal to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country. However, the UK Government needs to consider how the USO is going to be delivered and allocate resources to ensure that 10Mbit/s can be accessed in all premises across the UK, including rural areas. There was no mention of this in the Budget.

Rural Services

Budget Measures:

- **Rate relief for pubs** – Continue the £1,000 business rate discount for public houses with a rateable value of up to £100,000.
- **Valuation assessments** – Increase the frequency of Valuations Office Agency (VOA) revaluations of non-domestic properties to every three years following the next revaluation, currently due in 2022.
- **Business rates retention** – Continue to pilot additional business rates retention for councils across England.
- **Post Office banking services** – Instruct Post Office Ltd and UK Finance to raise public awareness of the banking services available at the Post Office, both for personal customers and Small and Medium Enterprises (SMEs).
- **Fuel duty** – A freeze on fuel duty for an eighth consecutive year in 2018.

Countryside Alliance Response:

Pubs

- We welcome the recognition from Government of the role that pubs play in communities, and that the £1,000 discount for those with a rateable value below £100,000 announced in the Budget in March will be extended for a further year. This will help to ensure that these important businesses and social hubs can survive.

Business Rates

- We welcomed the announcement in the Budget in March to provide additional support to small businesses to the tune of £435 million. Small businesses across the country were hit with business rate rises, up to as much as 300 per cent. We welcomed the package of measures proposed and hope that the £50 a month cap on rate rises and the £300 million discretionary relief fund will help to ensure that many rural businesses can continue to thrive.
- The proposal to increase the frequency of revaluation of non-domestic properties is welcome but it does not address the fundamental problem with the current system of business rates. Businesses in rural areas play an important part in the economy and we must have a system which enables them to compete fairly with web-based businesses. We need long term solutions to ensure their viability and that of all small businesses in rural areas rather than temporary measures. Businesses need long term certainty if they are to be able to invest and plan for the future.
- We remain particularly concerned by the impact of changes in business rates on riding centres. Figures from the British Horse Society show that some would see their business rates increase by up to 300 per cent and that five out of six riding schools would not qualify for small business rate relief. There is no doubt that the flawed revaluation proposals, brought forward by the Valuation Office Agency (VOA), risk severely undermining the equestrian sector.
- What is particularly frustrating about the proposed changes is that many riding centres have been encouraged by the Government through grants to expand their physical footprint and facilities to meet customers' expectations. Under the revaluation proposals all of these new facilities will be subject to increased business rates and the VOA appears to be blind to the fact that there are sound animal welfare reasons why riding centres and livery yards take up the space they do. It is unfair for them to be punished for promoting high animal welfare standards by following strict guidelines.

Post Office Banking Services

- We welcome the commitment in the Budget to raise public awareness of the banking services available at the Post Office, both for personal customers and Small and Medium Enterprises (SMEs). Access to financial services in rural areas is vital.
- 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.
- Access to money and finance in remains difficult for many people in rural communities. 20 per cent of the population live and work in rural areas and yet only 12 per cent of bank branches and 11 per cent of cash machines are located there. This means it is becoming increasingly difficult for people and businesses located in

rural communities to access their money, other day-to-day services and those services necessary to run a local business.

- The Post Office network offers an important means of accessing cash, either using its own financial products or because it provides access to the current accounts of 20 other banks and the business accounts of 8 other banks. Half of those who regularly access their accounts at a post office do so because there is no nearby bank branch. The Post Office Card Account also remains an important means of access to cash for those on low incomes. Nationally, there are more post offices than there are bank branches (of all the banks combined). Moreover, the Post Office network has rural reach, since more than half of its outlets are located in rural areas, including a presence in many villages.
- The number of post office closures has slowed down, with a net loss of 27 rural outlets during the 2014/15 financial year. Almost 99 per cent of the rural population lives within three miles of a post office outlet, comfortably exceeding the 95 per cent target set by Government and the postal regulator. The Government must continue to protect and promote the Post Office especially in rural areas.

Fuel Duty

- The freeze on fuel duty for another year is welcome. Those in rural areas are often reliant on a car for transport, especially in remoter areas. Continuing to freeze the duty is important for rural households where the cost of transport is high.

Housing

Budget Measures:

- **New policies** – a comprehensive package of new policies, including:
 - £15.3 billion of new financial support for housing over the next five years,
 - planning reforms that will ensure more land is available for housing, and
 - £204 million of funding for innovation and skills in the construction sector.
- **Powers of intervention** – Strengthen the ability of the Homes and Communities Agency (to be renamed Homes England) to use investment and planning powers to intervene more actively in the land market.
- **Infrastructure funding** – Increase funding by £2.7 billion to double the amount of money available in the Housing Infrastructure Fund
- **Small sites** – £630 million from the National Productivity Investment Fund to accelerate the building of homes on small and stalled sites.
- **Stamp duty** – Abolished for first time buyers on properties worth up to £300,000, with purchasers benefitting on properties up to £500,000.
- **Affordable housing** – Confirmed the further £2 billion of funding for affordable housing announced in October, and announced plans to lift the Housing Revenue Account borrowing caps for councils in areas of high affordability pressure, so they can build more council homes.
- **Land banking** – announced review, chaired by Rt Hon Sir Oliver Letwin MP, to explain the significant gap between housing completions and the amount of land allocated or permissioned, and make recommendations for closing it.

Countryside Alliance Response:

- We welcome the recognition in the Budget that housing is one of the most serious challenges facing this country. However, while many of the measures announced are welcome we are concerned that the approach to increasing housing supply, and especially affordable housing, is still too focussed on urban areas.
- We need planning policies that support sustainable rural life and businesses. This should include better use of permitted development rights, measures to incentivise landowners to bring forward land for affordable housing, and measures which enable small scale locally led provision of affordable local housing to meet local need.
- The Budget notes that: “increasing the supply of housing in the right places brings productivity gains. It supports flexible and responsive labour markets, enabling people to work where they are most productive, and allows successful towns and cities to become even more productive by realising agglomeration economies”. However, it is not just urban areas which need housing as part of boosting productivity. The need is as great in rural areas, and is a particular problem for young people and families.
- Many rural areas are suffering from a lack of housing, especially affordable housing. Population growth, combined with migration from urban areas, has seen the rural population grow by 800,000 in the last decade according to the Office for National Statistics, driving up house prices and pricing many families out of the communities in which they work and in which they have often been brought up.
- Rural house prices are much higher, rural wages are much lower and the gap between them is widening particularly for agricultural workers. There is a premium for rural housing in all parts of the country and property prices in the countryside are, on average, £43,490 (22 per cent) higher than in urban areas according to the Halifax Housing Survey 2015.
- Research by the National Housing Federation found that in 77 per cent of rural local authorities, house prices are outstripping average incomes faster than the rate of the national average. In 69 rural local authorities, house prices were more than the national average rate of 6.8 times average wages. The average rural worker would need a wage rise of around 150 per cent just to be able to buy a home.
- The failure to recognise the equally pressing need for affordable housing in rural areas will only exacerbate the problem of young people in rural areas unable to find a home, with negative consequences for the future of sustainability of rural shops, schools, services, and increasing rural isolation.

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