

COUNTRYSIDE ALLIANCE BRIEFING NOTE

BUDGET STATEMENT 2018

Debate on the Budget

October 2018



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Introduction

Our countryside is a national treasure admired around the world but we must remember it is also a home and workplace for millions of Britons. Those who live and work there can be forgiven for feeling that the countryside is often treated as a theme park, not receiving the political support and action it needs and deserves. Rural life holds specific challenges, which means it needs different solutions and policies to our urban neighbours and this is something which needs to be reflected in the Government's tax and spend policies.

Rural areas are home to one-fifth of England's population and a quarter of all registered businesses; they contribute over 16 per cent of England's economy each year. However, rural areas face particular challenges around distance, sparsity and demography. That is why government policies must take these into account at all stages of development.

A successful rural economy is vital for maintaining a living and working countryside. Without it there would not be the rural communities and landscapes as we know them today. It is therefore essential that the people who live and work in the countryside are able to engage fully in the economic life of the country.

The Chancellor, Rt Hon Philip Hammond MP, has avoided any big moves in the last Budget before the UK leaves the EU in March 2019 and has instead focused on short term measures and funding commitments for the challenges faced in rural areas.

This Budget has been a step in the right direction to support rural businesses and communities with commitments to a temporary cut in business rates and further funding to deliver much needed digital connectivity. However, we need a clear plan to ensure that rural communities are fully 'Brexit' proofed, as leaving the EU will only be an opportunity if we give rural businesses and communities the tools they need to compete in this increasingly global world.

Digital Connectivity

Budget Measures:

- **Fibre network** – £740 million allocated from the National Productivity and Investment Fund (NPIF) between now and the end of the financial year 2020/21 to fund digital infrastructure fibre and 5G investment.
- **Rural areas** – The Budget allocates £200 million from the NPIF to pilot innovative approaches to deploying full fibre internet in rural locations, starting with primary schools, and with a voucher scheme for homes and businesses nearby. The first wave of this will include the Borderlands, Cornwall, and the Welsh Valleys
- **New homes** – Alongside the Budget, the Government is publishing consultations to mandate gigabit-capable connections to new build homes and speed up the delivery of upgraded connections to tenants, making it quicker and easier for communications providers to roll out full fibre networks.
- **Suffolk** – The Government is also announcing that Suffolk is the first local area to be awarded £5.9 million of funding from the third wave of the Local Full Fibre Networks challenge fund, enabling next-generation full fibre connections to key public buildings.

Countryside Alliance Response:

- The Countryside Alliance believes that high speed broadband and mobile connectivity is an essential service alongside water, electricity and gas; but is nowhere near as available in rural areas as it is in urban areas. 1.1 million premises still don't have access to decent broadband, meaning that 17 per cent of rural homes and businesses are unable to receive decent broadband and 82 per cent can't receive a 4G signal.
- Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and these gaps and weaknesses need to be addressed as a priority. The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy currently worth £400 billion annually. The business opportunity includes 28 per cent of all UK firms and over one million small businesses.
- Research by the Countryside Alliance showed that digital connectivity was ranked the most important issue that could improve the rural economy. 70 per cent of respondents were concerned that slow speeds are a barrier to growth, the lack of connectivity was leading to increased isolation and social exclusion, and that fibre connectivity should be available to all, no matter where they live.
- The need for investment in digital connectivity, particularly in rural areas, is to be welcomed, and the £200 million NPIF funding to deliver faster broadband for rural businesses, homes and schools will be essential close the digital divide. However, the Government has only committed funding from the NPIF until 2021 and if the Government are to deliver on the Future Telecoms Infrastructure Review, which has set out the changes that are needed to give the majority of the population access to 5G, connect 15 million premises to full-fibre broadband by 2025, and provide full-fibre coverage across all of the UK by 2033, then we need a clear funding strategy that is well beyond this 2021 funding commitment.
- A full fibre strategy is essential to underpin 5G coverage and deliver a turbo charged broadband network which is so vital for our countryside communities. Currently, the

UK has only four percent full-fibre connections and if we continue building at the same rate it will be 24 years (2042) before we reach 100 per cent full-fibre coverage.

Small Businesses

Budget Measures:

- **Business rates** – premises with a rateable value of up to £51,000 will receive one third off their business rates for the next 2 financial years.
- **Rateable values** – Valuation Office Agency will review rateable values in 2021, in line with the Government's commitment to 3 year revaluations.
- **Digital tax** – a digital services tax of 2 per cent on UK revenues of “tech giants” generating £500 million with a revenue of over £500 million per annum.
- **Future High Streets Fund** – a new £675 million fund was announced for councils to redevelop struggling high streets.

Countryside Alliance Response:

- The Budget contained welcome news for small businesses with an announcement that premises with a rateable value of up to £51,000 will receive one third off their business rates for the next 2 years, and a commitment that rateable values will be reviewed in 2021. However, this is a long way short of the full review of business rates called for by the Countryside Alliance ahead of the Budget which is needed to address the growing unfairness of this tax and the financial burden it places on businesses with a large footprint such as garden centres and equestrian businesses. Business rates remain a source of grievance for many rural businesses, particularly with the growth of online retailing which has increased the need for reform of the current system.
- We were disappointed when the Chancellor stated in a letter to the Treasury Select Committee earlier this year that there will be no reform of business rates until he has considered reforming other corporate taxes. The Chancellor acknowledged in his Budget speech that it is “clearly not sustainable or fair” that businesses operating from digital platforms pay less or no tax compared to traditional business models and we welcome his commitment to establishing a UK digital services tax, but this will only apply to “tech giants” with a revenue of over £500 million per annum. While this is a step in the right direction, it will not help create parity between small and medium sized businesses that trade online or offline.
- We have seen many small businesses across the country hit with business rate rises, up to as much as 300 per cent, particularly businesses requiring a large footprint such as garden centres and equestrian businesses. We welcomed the proposals announced in the November Budget last year to provide additional support to small businesses to the tune of £435 million. However, we have heard criticism that these funds have been slow to be distributed. This is also only a temporary solution and does not address the long term problem of business rates and businesses need certainty if they are to be able to invest and plan for the future.
- High streets are often at the heart of communities as the Chancellor acknowledged in his Budget speech, but they are also experiencing considerable challenges with the growth of online retailing, large tax burdens, and changing consumer habits. We welcome the new Future High Streets Fund announced in the Budget to improve

access to high streets and town centres and facilitate the redevelopment of empty commercial areas into homes and offices. We hope the Treasury will ensure this money is spent evenly between rural and urban councils. Rural town centres are facing specific challenges with reduced transport services, bank branch closures, and an ageing population. We would like to see more from the Government about what they are doing to address the challenges in rural areas, particularly action to maintain and improve access to banking services in rural town centres.

Tax and Duties

Budget Measures:

- **Fuel duty** – A freeze on fuel duty for a ninth consecutive year.
- **Alcohol duty** – Duties on beer, ciders and spirits to be frozen, meaning a saving of 2p on a pint of beer, 1p on a pint of cider, and 30p on a bottle of whisky or gin. Duty on a bottle of wine will rise 8p in February 2019 in line with the RPI.
- **Plastics** – New tax on plastic packaging which does not include at least 30 per cent recycled material from April 2022, subject to consultation.

Countryside Alliance Response:

- 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.
- We welcome the recognition of the role that pubs play in communities, and the decision to freeze duty on beer, cider and spirits. This will help to ensure that these important businesses and social hubs can survive.
- We support the work of the Government to improve the health and wellbeing of the environment and welcome measures to reduce the use of single-use plastics. Any measures must be sensible and practical and recognise that many rural businesses currently rely on plastic items. The proposed tax on non-recycled plastic packaging has a proposed commencement date of just over 3 years away, in April 2022. In order to ensure businesses are able to adjust to any new tax in a relatively short amount of time, the Government must work with the businesses community to deliver change. We would like to see more from the Government about incentives to reduce single-use plastics and schemes to help businesses adjust rather than relying purely on tax policy to bring about change.

Housing

Budget Measures:

- **House building** – The Chancellor announced that housing supply has increased by over 1.1million since 2010, including over 375,000 affordable homes. The Budget commits and confirms further investment to deliver more of the homes needed:
 - the Housing Infrastructure Fund will increase by £500 million, to a total £5.5 billion, unlocking up to 650,000 new homes.
 - the Housing Revenue Account cap that controls local authority borrowing for house building will be abolished from 29 October in England, enabling councils to increase building to around 10,000 homes per year.

- **Neighbourhood plans** – The Government will also update planning guidance to ensure that neighbourhood plans and orders approved by local referendums cannot be unfairly overruled by local planning authorities.
- **Local homes** – The Budget allocates £8.5 million of funding so that up to 500 parishes can allocate or permission land for homes sold at a discount. The Government will also explore how it can empower neighbourhood groups to offer these homes first to people with a direct connection to the local area.

Countryside Alliance Response:

- The shortage of affordable housing is one of the greatest challenges for communities across the country, including in rural areas. 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. Development needs to be responsive to local need and sensitive to the local environment.
- The Countryside Alliance believes that homes should be built which meet the needs of the country while not losing large swathes of the countryside. We welcome the strengthening of neighbourhood plans as it is vital that local people are given a voice and listened to as part of the planning process. It should also be the case that local planning authorities are not overruled by central government once a local plan has been approved by the council.
- As well as making the regular planning process more efficient and responsive to the needs of rural communities, we have also called for planning policy to be more creative through utilising permitted development rights and looking at ways of incentivising landowners to bring forward land for affordable housing.
- The last Labour Government consulted on a number of proposals to give landowners more options for developing affordable housing, including tax incentives and the option of retaining the freehold interest in the land and receiving a one off or annual rent from the local housing association. These proposals were never taken forward, but we believe that incentives could play an important part in addressing the challenge in rural areas. Alongside the Budget, the Government has committed to respond to Rt Hon Sir Oliver Letwin's review into housing by February 2019 and we hope that incentivisation for landowners will be included as part of the Government's response to the review.

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