Rural Impact Assessment Of The Budget Announcement – 26 November 2025

Budget 2025 includes measures affecting household energy bills, wages, public services, business rates, transport, skills and infrastructure. While several commitments may benefit rural communities indirectly, the Budget contains no rural-specific measures and does not strengthen fair funding for rural councils.

This is a summary of key announcements and their likely implications for rural places based on the Budget delivered today.

£150 average energy bill reduction

The Government will remove around £150 on average from household energy bills from April 2026 by:

- Funding 75% of the domestic Renewables Obligation cost;
- Ending the Energy Company Obligation (ECO) levy.

These changes apply predominantly to **electricity bills**.

Rural Impact

- The measure does not apply to heating oil or bottled gas, which are widely used in rural areas.
- Around 25% of rural homes are off the gas grid; many may see no benefit from the electricity-focused reduction.
- Rural fuel poverty remains significantly higher than in urban areas, and the Budget does not include targeted relief for off-grid households.

Warm Homes Plan – £1.5bn additional capital

The Government announced further capital for the Warm Homes Plan to tackle fuel poverty.

Rural Impact

- Rural homes are among the least energy efficient, and improved retrofit funding could be beneficial.

- Distribution criteria have not yet been published, so it is unclear whether off-grid rural homes will be prioritised.

Economy, Business & Wages

National Living Wage (NLW) increase

The NLW will rise to **£12.71/hour** from April 2026.

Rural Impact

- Applies to all employers, including the micro-business and SME-heavy rural economy.
- No rural or SME mitigation accompanies the wage increase.
- Rural areas have lower-than-average wages; the measure may increase operating pressures for rural employers.

Business Rates Changes

From April 2026, business rates multipliers will fall, with permanently lower multipliers for retail, hospitality and leisure.

Rural Impact

- Likely beneficial for rural pubs, independent shops, cafés and tourism businesses.
- Local authorities will be fully compensated.
- No adjustments to valuation methodology to reflect rural conditions.

Visitor Levy (Tourist Overnight Stay Tax)

English regional mayors to be given powers to tax overnight stays in hotels and holiday lets, echoing existing plans in Scotland and Wales.

Rural Impact

For those in non-mayoral areas, which are often rural communities, those areas will not get the benefit of the income from overnight tax for stays in hotels and holiday lets, despite the fact that large amounts of tourism take place within those communities.

Local Government, Fair Funding & Public Services

<u>Local Government Funding</u>

As expected, the Budget does not include changes to local government finance formulas. However, it also provides no indication of progress on fair funding reform or steps to address the higher cost of service delivery in rural areas.

The Government says it will set out major SEND reforms early next year and indicates that, once the Dedicated Schools Grant statutory override ends in 2027-28, it does not expect councils to have to fund future SEND costs from general funds, though full details of how this will be delivered are still to come.

Health and Social Care

<u>Neighbourhood Health Centres (NHCs)</u>

The Government confirmed delivery of 250 Neighbourhood Health Centres as part of a new “Neighbourhood Health Service”, with over 100 sites to be delivered by 2030. These centres will bring outpatient services, GPs, dentists, community nursing and pharmacy services into local hubs.

Rural Impact

- Government statements indicate the rollout will begin in “the most deprived areas”, with no specification of rural targeting or rural adaptations.
- Early examples published publicly to date are predominantly in urban or larger town locations.
- No detail is provided on:
  - How rural deprivation will be assessed;
  - Travel/access considerations;
  - Whether staffing models will reflect rural shortages;
  - The balance between new-build and refurbishments in rural settings.

NHCs may have potential to improve care closer to home, but without rural-proofed siting criteria, there is a risk that remote areas experience little or no benefit.

Rail Fare Freeze

Regulated rail fares will be frozen for one year from March 2026.

Rural Impact

- Positive for rural rail-connected areas.
- However, many rural communities have no access to rail and rely on private car use or taxis.

Fuel Duty

The Budget confirms that the temporary 5p per litre fuel duty cut will remain in place until September 2026, with a phased reversal planned thereafter.

Rural Impact

While not a rural-specific measure, continuing the reduced rate provides short-term relief for motorists in rural areas, where private car use is essential and public transport alternatives are limited. Any future increases in fuel duty are likely to have a proportionately greater impact on rural households and businesses due to higher travel distances and car dependency.

If the 5p per litre discount is reversed as planned from September 2026, the impact would fall disproportionately on rural areas, including:

- **Rural residents**, for whom private car use is unavoidable and fuel costs are already higher per litre than in urban areas.
- **Public services**, including local government, police, fire, ambulance, health and social care — all of which rely heavily on vehicle fleets across large geographies.
- **Rural businesses**, facing higher costs for transporting materials and goods in and out of rural areas.
- **Rural consumers**, who may face increased prices as supply-chain transport costs rise (including food and essentials).
- **Rural bus and community transport services**, including volunteer-run schemes, which are already fragile and fuel-dependent.
- **Volunteers**, who often travel long distances to deliver community services.
- **Social isolation and loneliness**, which may worsen if higher fuel costs reduce mobility for vulnerable rural residents.

These factors mean that fuel duty increases have a **much greater cumulative effect** in sparsely populated and poorly connected areas.

Rural Buses & Community Transport

The Budget does not include new funding for rural bus services or community transport.

Rural Impact

- Risk of widening isolation where bus networks are already limited.
- No measures addressing taxi-dependence for school and SEND transport in rural authorities.

No LHA Uprating or Rural Housing Measures

The Budget did not announce LHA changes, affordable housing measures, or supported housing funding.

Rural Impact

- High rural rents, limited private rented supply, and rural homelessness pressures remain unaddressed.

Skills Funding and Jobs Guarantee

Over £1.5bn will support skills programmes and a new Jobs Guarantee for eligible 18–21-year-olds on Universal Credit.

Rural Impact

- Access may be limited without transport support or remote delivery options.
- Limitations in very rural areas where lack of businesses to provide the paid work placement can limit the success of the scheme.
- No rural criteria are included in the programme design.

Net Zero, Energy Infrastructure & Grid Reform

Grid Connection Reform

The Government will overhaul grid connection processes to speed up access for new energy projects.

Rural Impact

- Potential benefit for rural renewable projects and investment in areas where grid constraints slow development.
- No explicit rural prioritisation.

National Wealth Fund Investments

Further investment announced in energy infrastructure, critical minerals, and clean energy projects across the UK.

Rural Impact

- Rural areas hosting grid infrastructure or renewable projects may benefit indirectly.
- No rural-specific schemes.

Summary

Budget 2025 includes general measures that will impact rural communities but does not contain rural-specific commitments and leaves key inequalities unaddressed. Key gaps include:

- Support for off-grid rural households;
- Rural transport investment;
- Housing affordability and rural PRS supply;
- Rural location and access considerations in new Neighbourhood Health Centres;
- Rural-proofing of skills and employment programmes.

[Read the full budget document here.]