



The Rural Growth Cross-Party Group

GENERATING GROWTH IN THE RURAL ECONOMY:

an inquiry into rural
productivity in Wales



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The views expressed in this report are those of the Rural Growth Cross-Party Group (CPG). Cross-Party Groups are informal groups of Members of the Senedd with a common interest in particular issues.

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For further information on the CPG report *Generating Growth in the Rural Economy: an inquiry into rural productivity in Wales*, published in March 2024, contact:

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1. Foreword


Rural Wales plays a key role in the future prosperity of our nation. It is an area where I was born and raised, one that has helped shape me as a person and is very close to my heart. Decision-makers need to take a fresh look at Rural Wales to unlock its full potential and ensure that it grows and thrives for future generations.

Therefore, I am proud, as Chair of the Senedd Cymru's Rural Growth Cross-Party Group, to introduce this report *Generating Growth in the Rural Economy: an inquiry into rural productivity in Wales*. It aims to draw together the findings of the Inquiry into Rural Productivity, undertaken by the Cross-Party Group following four evidence sessions held during 2023.

The Rural Growth Cross-Party Group was established in 2021 following the start of the sixth Senedd. Our inquiry is the first of its kind to focus specifically on rural growth in Wales.

We have included a number of recommendations within this report based on the evidence provided by a range of experts and interested individuals. This cross-party platform allowed us to develop non-partisan and tangible solutions and suggestions to the Welsh Government on how to stimulate and promote growth in rural Wales.

I am grateful to all witnesses who contributed evidence to our inquiry. I would also like to thank CLA Wales for providing the secretariat to the Group and for assisting in the production and design of this report.



Samuel Kurtz MS

Chair of the Senedd Cymru's Rural Growth Cross-Party Group

In order to increase rural productivity in Wales, the Rural Growth Cross-Party Group (CPG) recommends the following policies across four key areas.

Chapter 3: Economy, infrastructure and connectivity

The CPG urges the Welsh Government to:

1. re-establish a rural development board in conjunction with key stakeholders, that acts as a focal point for facilitating rural growth but is sensitive to sub-regional zones;
2. ensure a re-established rural development board sets out a definitive rural development strategy, setting objectives for infrastructure development, connectivity and rural skills.

Chapter 4: Housing and planning

The CPG urges the Welsh Government to:

3. ensure that all local authorities have up-to-date local development plans that accord with Planning Policy Wales (PPW) and *Future Wales – the national plan 2040*;
4. provide additional funding for an extra two planning officers in all 25 local planning authorities in Wales. Using figures from the Welsh Government website, the cost for recruitment and salaries would be approximately £6.2 million over five years;
5. establish Permission in Principle (PiP) for rural economic development;
6. introduce permitted development rights for the change of use or conversion of farm buildings to commercial or residential use;
7. create a route of Permission in Principle (PiP) specific to Rural Exception Sites to encourage their greater use, delivering affordable housing;
8. increase the urgency of the actions stemming from the *Relieving pressures on Special Areas of Conservation (SAC) river catchments to support delivery of affordable housing* programme led by the First Minister and provide the additional funding to do so.

Chapter 5: Tourism

The CPG urges the Welsh Government to:

9. make Visit Wales an independent body and provide a budget proportionate to that of equivalent bodies in other parts of Great Britain;
10. require Visit Wales to publish its accounts to enable it to be monitored effectively;
11. set up a Wales Tourism Council similar to the group set up as part of the Covid-19 response, with cross-departmental ministerial engagement;
12. delay the introduction of the visitor levy (tourism tax) until a full impact analysis on tourism in Wales is conducted;

13. introduce exemptions for the requirements for 182 minimum days for holiday lets;
14. require the newly-established Welsh Tourism Council to develop a strategic plan to grow the rural tourism sector;
15. publish full impact assessments alongside all consultations affecting the tourism sector.

Chapter 6: Food production and the supply chain

The CPG urges the Welsh Government to:

16. demonstrate flexibility on the 10% minimum requirements for tree cover and habitats areas in the next iteration of the Sustainable Farming Scheme (SFS) proposals;
17. set out the funding rates for the Sustainable Farming Scheme (SFS) at the next iteration of the SFS proposals expected in 2024, to allow farm businesses to make informed decisions on whether to participate in the scheme;
18. incentivise and integrate on-farm renewable energy projects using funding outside of the agriculture budget;
19. bring forward advice, guidance and funding to develop local food networks that incentivise small-scale producers in the final proposals for the Sustainable Farming Scheme (SFS).

One third of the Welsh population lives in rural areas; the rural economy supports approximately 459,000 people.



3.1 Introduction

The first part of the Rural Growth Cross-Party Group (CPG) inquiry into rural productivity in Wales looked at the current state of the rural economy and the overall barriers to improving productivity.

It should be noted that there is significant overlap between the different themes of the inquiry, with the main barriers raised repeatedly by different witnesses. The recommendations within this chapter are broad and will help all aspects of the rural economy.

One of the key barriers to productivity in the rural sector discussed extensively was **the planning system**. Recommendations for how the planning system could be improved are covered in chapter 4.

3.2 The state of the rural economy in Wales

One third of the Welsh population lives in rural areas; the rural economy supports approximately 459,000 people. According to StatsWales there were about 105,000 enterprises in rural Wales¹. These businesses include agriculture, forestry, tourism, hospitality, retail, commercial and residential lettings, while the management of rural land has a vital role in addressing the dual emergencies of climate change and biodiversity loss.

The rural economy is extremely diverse and relies upon micro, small and medium sized enterprises. Although productivity per worker has increased over the past decade in line with other areas of Wales, productivity per worker in rural areas remains below the Wales average².

3.3 Barriers to rural economic growth

The main barriers to rural economic growth are well known and were reiterated throughout the inquiry. The Wales Local Government Association (WLGA) states that these barriers are³:

- low productivity, and a low skills base;
- an economy dominated by microbusinesses and challenges to growth caused by access to finance and skilled labour;
- poor connectivity and transport links to urban markets, with the movement of goods and people heavily dependent on poor road infrastructure;
- demographic issues with an ageing population and the outward migration of young people;
- access to services, including limited healthcare services, compounded by difficulties in recruiting specialist medical staff;
- infrequent, inaccessible and expensive public transport;
- lack of affordable housing and a high number of households off the mains-gas grid and experiencing fuel poverty; and
- poor digital connectivity, with many rural areas experiencing 'hot-spots' in terms of fixed-line broadband and mobile connectivity.

1. <https://www.cla.org.uk/wales-news/the-rural-powerhouse-in-wales/>

2. Office for National Statistics, Regional gross domestic product: local authorities, 26 May 2021

3. <https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=2952>

Rural productivity

Rural productivity is dependent on a wide range of factors that must be joined up to facilitate sustainable growth. Professor Terry Marsden from Cardiff University outlined that the key definition of rural economic growth *“is to increase value added, the net value in terms of productivity and growth”*. He added that the rural economy was not one discrete block but a series of nested supply chains that rely on local networks. To do this, it is vital Welsh Government address priorities in terms of **transport and digital connectivity**.

Labour availability

“Recruiting staff is challenging in central Cardiff so imagine how hard it is in Newtown,” outlined Ian Price, from the Confederation of British Industry (CBI) Wales. The issue of **accessing staff** has increased significantly over the past five years, with many businesses across rural Wales not able to find the right person, with the right skills, to meet their needs. The inquiry heard of businesses in Mid-Wales that needed apprentices; however, day-release training – critical for apprenticeships – was almost impossible given that the nearest college was over 70 miles away.

Connectivity

Connectivity and road infrastructure are key issues restricting the productivity of the rural economy in Wales. The isolation of rural businesses means digital connectivity is essential for firms to compete with those in urban settings in Wales and with those across the border in England, according to Nick Tune from the Infrastructure Commission. He also set out his concerns around physical infrastructure, specifically rural roads which are limiting rural economic growth across the countryside. *“We need to think of infrastructure in rural Wales differently to infrastructure in urban Wales.”*

Anthony Geddes, Wales Manager for the Confederation of Forest Industries (Confor), reported that although there is fibre or fixed-line technology in many rural areas, there remains significant numbers of businesses reliant on 4G or 5G networks that have inconsistent coverage. *“If a business loses connectivity for a few days per month, that will drastically affect overall productivity.”*

It is not just road infrastructure and digital connectivity that must be addressed to improve productivity in Wales – **grid capacity** must also be improved. Both Nick Tune and Ian Price agreed that there was a clear need for a strategic view of grid capacity across rural Wales to ensure opportunities arising from new renewable energy projects are to be realised.

Skills and training

A lack of coherence regarding **skills policy** was identified by James Evans, Brecon and Radnor MS, as a barrier to rural economic growth. *“During my time in local government the key to growth is skills”* but, he continued, *“Welsh Government’s approach to skills is very disjointed”* which is holding back productivity. Anthony Geddes suggested that to provide skills training, there is a need for consistent funding alongside consistent transport links to enable people to reach the places where training is provided.

Red tape

Witnesses to the inquiry repeatedly highlighted the large number of bureaucratic layers rural businesses and stakeholder representatives must engage with when looking to improve their productivity. Sam Rowlands, MS for North Wales region, argued that engaging with a wide variety of bodies is challenging. Dealing with corporate joint committees for growth deals, public service boards, in addition to strategic planning committees for local development plans, means it is often very hard to get projects off the ground. Dr Charles Trotman, Senior Economist at the CLA, agreed, saying *“one of the problems the CLA has in Wales is there is no clear idea of who to engage with or who should be engaging with us”*. Removing these multiple layers and replacing them with a single body would significantly simplify how rural businesses can improve their productivity.

3.4 The need for a definitive rural development plan and strategic rural body

Charles Trotman believed that the absence of a specific rural body in Wales with an understanding of infrastructure issues meant that there was no consistency in decision-making, and that there were few priorities for stakeholders to align to. He stressed that the lack of understanding among the urban population of the notions of rural and rurality underpinned the failure of (usually urban) government decision-makers to grasp the challenges faced by rural businesses and communities. More needs to be done to articulate to urban institutions that the rural sector *“provides environmental benefits to you, and provides a tourism outlet for you”*. If this was actioned, it could go some way towards attracting more people to live and work in the countryside and reduce the gap between urban and rural productivity.

Witnesses to the inquiry outlined the positive work rural development boards and bodies had previously carried out; specifically, the Development Board for Rural Wales and Welsh Development Agency. The work of the Development Bank of Wales (DBW) in facilitating businesses to grow was also cited as positive, although it is not specifically rural in its activity.

Ian Price from CBI Wales outlined the difficulties businesses have in terms of time when looking to increase their productivity: *“The landscape and architecture of who to apply to or consult with is really messy”*. A single, government-backed, organisation with a strategic overview would assist them in growing their business. By re-establishing the Welsh Rural Development Board to act as the focal point for facilitating rural growth, many of the concerns raised by the inquiry could be addressed. Such a board would be able to provide the necessary strategic direction for long-term growth while also ensuring more effective engagement with businesses, local authorities and other stakeholders.

It would be the responsibility of the Welsh Government, together with key stakeholders from across the rural sector, to determine the exact makeup and remit of a re-created rural development board.

RECOMMENDATIONS

In order to improve productivity across the rural economy, the CPG urges the Welsh Government to:

1. re-establish a rural development board in conjunction with key stakeholders, that acts as a focal point for facilitating rural growth but is sensitive to sub-regional zones;
2. ensure a re-established rural development board sets out a definitive rural development strategy, setting objectives for infrastructure development, connectivity and rural skills.

The planning system
is doing a disservice
on every side.



4.1 Introduction

The planning system is essential to Wales for its role in supporting economic growth, protecting the environment, and preserving the country's unique cultural and natural heritage. It should provide a structured approach to development that aims to benefit the people of Wales while safeguarding its natural and cultural assets. However, the CPG believes the planning system is failing to deliver the amount of housing and other rural development to meet Welsh needs.

Since the turn of the century, housing delivery in Wales was at its peak in the early 2000s where, on average, 8,558 dwellings were completed per annum. Following the financial crash of 2008, completions fell to a low of 5,451 in 2012/13 before increasing to a peak of 6,900 in 2015/16. Housing completions fell again in 2018/19 to 5,777⁴.

As a result of the Covid-19 pandemic, the number of completions dropped significantly during 2020/21 to 4,616 before rising to 5,273 during 2021/22 and 5,785 in 2022/23⁵. It is worth noting that completions in England in 2019 recovered more quickly, returning to the levels seen in 2008. The current house building rates are clearly behind what is required to meet housing need as set out in *Future Wales: the national plan 2040*, and which are already believed to be an underestimate of the actual demand across Wales.

4.2 Planning system barriers to development in Wales

The inquiry discussed a range of concerns facing rural businesses in respect of planning. Andrew Shirley, Chief Surveyor at the CLA, stated that *“while it appears the majority of Wales has adopted local plans and unitary development plans, that doesn’t mean they are up to date. If they are not up to date, then they stifle development”*. It was clear in his view that more houses needed to be built, including both market and affordable housing. This is not happening because of a combination of long delays to the processing of planning applications by under-resourced Local Planning Authorities (LPAs) and a plethora of additional barriers, such as the Sustainable Drainage Systems (SuDS) requirements and phosphate mitigation measures.

Ben Francis from the Federation of Master Builders, outlined what he saw as the key issues affecting development in rural areas that stem from the planning system. He argued that before the rollout of any rural development strategy as discussed in Chapter 3 can be considered, *“there needs to be a fundamental appreciation and analysis of current policies, regulations and operational functions at both national and local levels and understanding the impact these have on the ability to develop”*.

The inquiry heard that the functionality of individual planning authorities must be considered through the lens of:

- how they may be affected by operating within national park authorities;
- the resources allocated to them;
- the increase in fees charged for services against the level of services delivered;

4. <https://statswales.gov.wales/Catalogue/Housing/New-House-Building/newdwellingsstarted-by-period-tenure>

5. Stats Wales / ONS

- the speed in which planning applications are processed;
- the speed of external consultee responses to planning applications;
- the interaction between planning departments and other local authority departments;
- the accountability of planning officers for the decisions they make;
- the level of training provided to planning committees; and
- the increase in costs of building houses due to inflation against the final sale price of the property.

Professor Calvin Jones, Cardiff Business School, believed that *“the planning system is doing a disservice on every side, whether you are in favour of broadly more housing, whether you’re in favour of broadly affecting environmental quality and ecological quality, the planning system doesn’t do any of these things well”*.

Whilst the issues highlighted by the inquiry are considerable, it was clear from the witnesses that improving the resources available to planning authorities to increase the number of planning officers would have a significant impact upon productivity in rural areas.

RECOMMENDATIONS

In order to improve productivity across the rural economy through housing and planning policy, the CPG urges the Welsh Government to:

3. ensure that all local authorities have up-to-date local development plans that accord with Planning Policy Wales (PPW) and *Future Wales: the national plan 2040*;
4. provide additional funding for an extra two planning officers in all 25 local planning authorities in Wales. Using figures from the Welsh Government website, the cost for recruitment and salaries would be approximately £6.2 million over five years.

4.3 The need for rural housing

The demand for housing across rural Wales is high. Sam Rowlands MS quoted the statistic that *“there are nearly 12,000 households in bed and breakfasts or hotels across Wales”* and it is critical when thinking about rural growth and subsequent housing need that *“we must not take our eyes off the ball in terms of the impact on local people”* which the lack of available housing results in.

James Gibson-Watt, Powys County Councillor, outlined the impact insufficient housing was having and would continue to have on productivity if not addressed in the future. He cited council and local health authority statistics around a lack of housing for an ageing population alongside the exodus of young people from

the county that “were frightening”. He said that housing supply must be increased to prevent the collapse of the economy in the region. He also outlined the difficulty which smaller developers were having in engaging with local authorities and receiving approval to build three or four houses that are “absolutely crucial to keeping our young people and families in those communities and keeping them vibrant”.

Andrew Shirley referred to a number of policy recommendations set out in a CLA Cymru report from 2021 *A planning system designed for the rural economy in Wales*⁶. These included “Permission in Principle” (PiP) for rural economic development. A two-stage process would encourage investment and reduce uncertainty to deliver an innovative and broader economy in rural areas. Granting PiP for a development proposal (first stage) incentivises and encourages the applicant to pull together all the necessary reports and surveys required to get the final planning permission for the development proposal at the technical details consent stage (second stage). Pushing these up-front costs back to the second stage of the PiP process would help to de-risk the process and could unlock much-needed investment in rural areas.

The second recommendation included in the 2021 CLA Cymru report that would improve rural productivity was the expansion of permitted development rights (subject to prior approval) for the change of use and conversion of farm buildings to flexible commercial uses or for residential use. These rights would help farming businesses provide a boost to rural economic growth through the creation of new workspace, increased numbers of, and better-quality, jobs, and create new housing in rural communities. The introduction of these permitted development rights would also encourage the re-use of buildings that in some cases are unsuitable for modern agriculture or no longer required by an agricultural operation for various reasons. In protected landscapes, enabling the re-use of buildings will reduce the amount of harm caused by development as it will encourage the re-use of a structure that is already in place rather than require a new building that would have an impact on views and the landscape.

Andrew Shirley referred to a recommendation in the 2021 CLA Cymru report – permitted development rights on rural exception sites to assist the delivery of new-build, affordable housing for rent. These permitted development rights are aimed at rural landowners who are willing to erect new-build, affordable housing for rent on an area of their land to provide critically-needed housing aimed at the local community. This proposal would allow the construction of up to nine affordable dwellings let at a discounted rent. Prior approval would clearly be required and would need to be the subject to carefully thought-through criteria that considered local conditions and would not require the landowner to be a registered provider.

6. <https://www.cla.org.uk/policy/planning-system-designed-rural-economy-wales/>

RECOMMENDATIONS

In order to improve productivity across the rural economy through housing and planning policy, the CPG urges the Welsh Government to:

5. establish Permission in Principle (PiP) for rural economic development;
6. introduce permitted development rights for the change of use or conversion of farm buildings to commercial or residential use;
7. create a route of Permission in Principle (PiP) specific to Rural Exception Sites to encourage their greater use, delivering affordable housing.

4.4 Phosphates

The planning moratorium on development in Special Areas of Conservation (SAC) due to phosphate loading is a significant barrier to rural economic productivity. This is because any form of residential, commercial or agricultural planning application cannot be approved unless it can demonstrate it will not add to phosphate loading in these catchments. The ways in which developments can prove this is not clearly established at either a Welsh Government level or a local planning authority level, resulting in a large backlog of applications restricting economic productivity. At the same time, improving water quality is crucial to future generations and to the biodiversity of our watercourses. Calvin Jones argued *“that nothing must be done to increase a single gram of phosphate in the water”*.

James-Gibson Watt set out that having half of Powys within the planning moratorium was making business expansion and residential housing development *“more or less impossible”*. He also expressed concern over the impact he was seeing in his local river (the Wye) that phosphates and other forms of pollution were having on water quality. It is clear from the inquiry discussions that Welsh Government, along with key stakeholders and local people, need to strike a difficult balance between the need for rural development and improving water quality.

Welsh Government has sought to address the significant obstacle of phosphates through a programme titled *Relieving pressures on Special Areas of Conservation (SAC) river catchments to support delivery of affordable housing* led by the First Minister. A number of the witnesses to the CPG have taken part in this Welsh Government programme. A wide range of actions have been highlighted as crucial to address the issue of phosphates delaying planning decisions. The most recent summary of the programme appears to suggest, according to Ben Francis, that *“nothing has been done”*. The inquiry is supportive of the principle and intentions of the action plan, but momentum must be maintained. Welsh Government must redouble its efforts to ensure all actions arising from the support are addressed in the shortest possible time.

RECOMMENDATIONS

In order to improve productivity across the rural economy through housing and planning policy, the CPG urges the Welsh Government to:

8. increase the urgency of the actions stemming from the *Relieving pressures on Special Areas of Conservation (SAC) river catchments to support delivery of affordable housing* programme led by the First Minister and provide the additional funding to do so.

During 2023, a significant proportion of tourism businesses were not confident that they would be able to be profitable.



5.1 Introduction

Rural tourism is a significant driver of economic activity in Wales. It generates income and employment opportunities for local residents, helping to diversify rural areas beyond traditional sectors like agriculture and forestry.

During 2023, a significant proportion of tourism businesses were not confident that they would be able to be profitable. According to the Tourism Barometer, Summer Wave⁷, only “15% of operators say they are ‘very confident’ about running the businesses profitably this year, and a further 43% say they are ‘fairly confident’”. The Tourism Barometer notes that bookings are down, stays are shorter, and customers are spending less. The impact of the Covid-19 pandemic is not just felt by customers: businesses are finding it difficult to stay profitable in the face of rising inflationary costs. A lack of confidence and the impact of the cost-of-living crisis is affecting total numbers; the Office for National Statistics released data in May 2023 indicating that overseas visitor spend in Wales was estimated to be £391 million in 2022, down from the £515 million spent in 2019⁸.

5.2 Barriers to growth within the rural tourism sector in Wales

The inquiry considered the barriers to growth within the rural tourism sector. In addition to the challenges cited above, David Chapman from the Wales Tourism Alliance (WTA), summarised a range of issues inhibiting the growth of rural tourism. These included the introduction of the 182 minimum days for holiday lets, the ongoing concern and uncertainty on the introduction of the tourism tax, concerns around the planning system, the business rates system, and a lack of clarity of post-European Union (EU) investment funding. Staff recruitment and the skills of existing staff were also cited as inhibitors to growth in rural tourism.

“Planning, planning, planning” is the biggest barrier to growth within the rural tourism sector according to Sean Taylor, CEO of Zipworld. The planning system across a range of different authorities had been slow, bureaucratic and not fit for purpose when Zipworld tried to develop further destinations in both North and South Wales.

The role of connectivity was cited by Avril Roberts, CLA policy adviser. Nine out of ten local authorities with the poorest broadband connectivity are within rural authorities. This is resulting in businesses within these areas facing difficulties accessing or operating on new, innovative booking and management platforms, and difficulties accessing or uploading documents for Welsh Government funding that require online applications. There could be a role for Visit Wales to play in helping tourism businesses improve their digital offering to take advantage of growing online marketplaces.

5.3 Visit Wales and the role of destination management

Visit Wales was discussed extensively during the tourism part of the inquiry. *“They do a good job with limited resources and budget, even though they are political”* according to Sean Taylor, although *“compared to other tourism bodies in other jurisdictions they do not compare favourably”*. It is the position of the WTA that the disadvantages of keeping Visit Wales within government outweigh the

7. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-09/tourism-barometer-summer-wave-2023.pdf>

8. <https://www.gov.wales/international-inbound-visits-and-spend-wales-html>

positives. This is because it is unable to enter into partnerships with the private sector to raise additional funds, putting it (and therefore the Welsh tourism sector) at a disadvantage. Visit Wales does not publish yearly accounts outlining its total budget making it difficult to determine its impact and value for money unlike its competitors in other nations of the UK.

According to Suzy Davies from the WTA, regional tourism organisations such as Visit North Wales or Visit Pembrokeshire deliver mixed results depending upon which part of Wales you are in. She outlined how the regional tourism bodies are also generally government-led; insufficient leadership and engagement with the businesses in the sector have led to confused targets and a lack of awareness of the key issues really facing the sector.

The lack of destination management across Wales was cited as a key barrier to further tourism growth in Wales. *“Visitors who come to Wales often find the parochialism difficult to understand”* outlined Roy Church of the Welsh Association of Visitor Attractions (WAVA) referring to the plethora of different organisations and agencies managing tourism in an area. Having a ticket that allows access to a range of attractions or modes of transport across multiple authorities or national parks would facilitate growth in the sector. This would avoid the duplication that currently arises from individual areas or authorities often repeating work their neighbours have already carried out. The inquiry agreed that improving destination management would be a positive step, and was already a key part of successful tourism strategies within Europe. The introduction of a strategic body at arm’s length from government, with clear targets and sectoral representation, would support better destination management, increasing economic growth within the tourism sector. It would also provide equitable representation for tourism businesses in different areas of Wales and better access to advice and support.

RECOMMENDATIONS

In order to improve productivity across the rural economy through tourism policy, the CPG urges the Welsh Government to:

9. make Visit Wales an independent body and provide a budget proportionate to that of equivalent bodies in other parts of Great Britain;
10. require Visit Wales to publish its accounts to enable it to be monitored effectively.

5.4 Engagement with Welsh Government

Witnesses from the tourism sector outlined how improved engagement from all parts of Welsh Government could facilitate growth. Tourism policies are often cross cutting, and need involvement from different government departments as they are developed and implemented. As a model, David Chapman gave the positive example of the relationship the sector had with Welsh Government

throughout the Covid-19 pandemic, resulting in the Economic Resilience Scheme. This came about through weekly meetings with officials and key stakeholders, with different ministers attending as and when required. Through effective engagement during the pandemic, businesses were engaged and felt supported by Welsh Government. Conversely, since the end of the pandemic, engagement and communication have dropped off significantly, resulting in a more fractious relationship between the public and private sectors. Significantly, businesses feel let down by Welsh Government particularly where disruptive policies have been introduced without considering the impact to the sector. This reversal of good engagement could create irreversible damage to business confidence in Welsh Government.

RECOMMENDATIONS

In order to improve productivity across the rural economy through tourism policy, the CPG urges the Welsh Government to:

11. set up a Wales Tourism Council similar to the group set up as part of the Covid-19 response, with cross-departmental ministerial engagement.

5.5 Tourism levy

Witnesses to the inquiry emphasised the sector's opposition to the proposed visitor levy or tourism tax. UK Hospitality identified the levy *"as the wrong tax at the wrong time"* and although other countries within Europe have introduced some sort of tourism tax, it was developed in association with the sector with the intention of benefitting the industry. The taxes in Europe were also mainly city taxes e.g. Paris, Brussels and Venice, not a charge on visiting a whole country. In Wales, this process was in reverse, with the tax being announced before any detailed work or scoping out had been carried out as to the impact on the sector, or on how the tax take should be used. All the witnesses to the inquiry concluded that making policy in the absence of economic analysis was irresponsible and would lead to unintended consequences.

While there was agreement between all witnesses that the tourism tax was not a positive step, there was some acknowledgment that it would not be reversed by Welsh Government. It was the view of Sean Taylor that if and when the tax was introduced, it should be clearly articulated to businesses and the public how the proceeds would be used. It is widely accepted that the tax is a tax on businesses, as consumers can choose whether to pay it by choosing to travel elsewhere. To ensure the tax does not influence consumer decisions, those paying the tax must be told whether it will be used for improving visitor infrastructure, marketing for businesses, or other services. Otherwise, there is a real risk of making Welsh rural tourism businesses uncompetitive, particularly with those in England.

Wales is heavily reliant on domestic tourism, and unlike other areas of the UK is not able to rely on swathes of international visitors. Before Covid in 2019, only 1.02 million international tourists visited Wales, spending £514.6 million – 2% of the total UK spend and significantly behind both London and Scotland⁹.

There is already a large gap between the average visitor spend of a domestic (Great Britain) visitor to Wales and that for England and Scotland. According to the Great British Tourism Survey, in Q2 2023, the average spend per trip was £238, compared to £269 and £260 for England and Scotland respectively. When the data is restricted to only trips for the purposes of a holiday, the gap widens. The average spend per trip for a holiday across Great Britain was £324, in Wales it was £269. Introducing a tourism levy could widen this gap further.

RECOMMENDATIONS

In order to improve productivity across the rural economy through tourism policy, the CPG urges the Welsh Government to:

12. delay the introduction of the visitor levy (tourism tax) until a full impact analysis on tourism in Wales is conducted.

5.6 Minimum let days

Suzy Davies stressed that the announcement of the tourism tax is not just a policy announced on its own; it comes alongside a range of other measures that will have a negative effect on Welsh tourism. The tourism tax must be seen alongside the minimum of 182 let days that was introduced in 2023 for tourism properties to qualify for business rates, the new statutory licensing regime for all holiday lets, and the potential of reducing school holidays from six to four weeks in the summer.

Roy Church provided insight on the attitudes of many farmers in Wales who have been encouraged to diversify their incomes through holiday lets, but are now being faced with the introduction of higher taxes, rate changes, and minimum let days. They are now holding back on further investment and considering whether it is worth them continuing with their tourism enterprises.

There was general consensus among the witnesses to the inquiry that the introduction of minimum let days would have a negative effect on productivity within the Welsh tourism sector. According to the Review 182 days Campaign¹⁰ 48% of letting businesses in 2022/23 did not meet 182 days. To minimise the impact the sector has developed a number of exemptions that must be introduced by Welsh Government. These include the following.

- Holiday let properties that have been established through farm diversification.
- Self-catering properties that lie in the curtilage of the owner's main residence.

9. Source: Office for National Statistics' International Passenger Survey

10. <https://www.pascuk.co.uk/review-182/>

- Self-catering properties that would be banded a council tax band D or above, that rely heavily on the school holidays to be occupied and would be most likely unsuitable for residents due to their size.
- Cottage businesses that are in effect “small resorts” or complexes.
- Owners who have multiple units on one site (e.g., a holiday cottage complex) and can average occupancy across the units.
- Instances where the accommodation is a supplementary part of a bigger business – for example, events or weddings.

RECOMMENDATIONS

In order to improve productivity across the rural economy through tourism policy, the CPG urges the Welsh Government to:

13. introduce exemptions for the requirements for 182 minimum days for holiday lets.

The use of data needs to be much improved if there is to be significant growth within the tourism sector. Avril Roberts identified the lack of full impact assessments when Welsh Government consultations have been published. It has proved difficult for tourism stakeholders and individual businesses to contribute or accept government policy proposals when consultations have not fully outlined the current state of the sector, nor the impact of the cost-of-living crisis and war in Ukraine on the rural economy.

From January to June 2023, trips to the countryside or a village made up 26% of trips taken in Wales, a slight increase from the same period in 2022 (from 24%). Some 19% of trips were taken to coastal areas, a slight decline from the same period in 2022 (from 21%). Compared to the rest of Great Britain, countryside and coastal areas make up a significant proportion of all trips taken; nearly 50% in Wales, compared to just over 30% in Great Britain as a whole. To preserve the tourism industry in these countryside and seaside areas, any impact of government proposals must be fully understood.

RECOMMENDATIONS

In order to improve productivity across the rural economy through tourism policy, the CPG urges the Welsh Government to:

14. require the newly-established Welsh Tourism Council to develop a strategic plan to grow the rural tourism sector;
15. publish full impact assessments alongside all consultations affecting the tourism sector.

Farming businesses
provide the raw materials
for the £22.1 billion Welsh
agri-food sector.



6.1 Introduction

The final part of the inquiry considered food production and the supply chain. It looked into how Welsh Government can facilitate a sustainable agriculture sector and ensure a fair supply chain for businesses and consumers in Wales.

6.2 Agriculture in Wales

Farming is vital to the Welsh rural economy. Farming businesses provide the raw materials for the £22.1 billion Welsh agri-food sector¹¹, the largest source of employment in Wales. Welsh farms are also uniquely placed to address the climate and biodiversity emergencies, the most significant challenges the world faces. In addition to providing these services, rural land also provides significant cultural and heritage value to the population of Wales. Balancing these multiple demands is clearly difficult, but the CPG is confident that the recommendations for Welsh Government in this report will enable farmers to meet these many challenges.

The move from the Basic Payment Scheme (BPS) and rural development programmes funded through the EU budget has been a long process. The recently passed Agriculture (Wales) Act 2023 is a significant milestone and provides a clear opportunity to design a policy suited for the farmers, topography and consumers of Wales. There was general support from the witnesses to the inquiry for the core principles of the Act, specifically the move towards Sustainable Land Management and a recognition of the equal importance of the economic, social and environmental sustainability of the Welsh farming sector. However, the full details of the Sustainable Farming Scheme (SFS) that the Act provides powers for are yet to be fully developed and it is vital that the views of farmers and the supply chain are inputted into the final proposals if the scheme is to be successful.

6.3 Sustainable Farming Scheme (SFS) Framework

The overall framework of the SFS was supported by the farming unions who provided evidence to the inquiry. Both the Farmers Union of Wales (FUW) and National Farmers Union (NFU) Cymru were positive about the universal set of actions¹² as the basis for the new scheme (with optional and collaborative actions following on from them). However, they must be accessible to all *“whatever your tenure and wherever you farm”* outlined Dylan Morgan from NFU Cymru. The majority of the universal actions were supported by the inquiry including the incentivising of a farm sustainability review for each holding, soil testing, animal health and welfare plans, but the blanket requirement for 10% tree cover and 10% biodiversity habitat caused significant concern. *“You cannot have set targets for every single farm because every single farm is different”* was the view of Gareth Parry of FUW. Llyr Gruffydd MS pointed out confusion as to what will count towards each requirement. Would hedgerows count towards tree cover and is there an option for trading between the two requirements if a holding had 15% tree cover and 5% habitat for example?

11. <https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Food%20and%20Drink%20Economic%20Appraisal%202019%20-%20ENG.pdf>

12. <https://www.gov.wales/sites/default/files/publications/2022-07/sustainable-farming-scheme-outline-proposals-for-2025.pdf>

Witnesses to the inquiry cited the positive engagement with Welsh Government throughout the development of the SFS from the first consultation – “*Brexit and Our Land*”¹³ – to the most recent SFS proposals published in 2022, and improvements in the details of policy outlined by Welsh Government. However, the significant concern amongst the sector around the minimum tree and habitat requirements is causing many farmers to disengage from the scheme. If there is not widespread participation by the farms of Wales, the ambitions of Welsh Government cited earlier in this chapter will not be met.

RECOMMENDATIONS

In order to improve productivity across the rural economy through food production and the supply chain, the CPG urges the Welsh Government to:

16. demonstrate flexibility on the 10% minimum requirements for tree cover and habitats areas in the next iteration of the Sustainable Farming Scheme (SFS) proposals.

6.4 Budgets

An adequate level of funding for the Welsh farming sector is vital if the ambitions of Welsh Government are to be met. The inquiry explored what that level is. According to NFU Cymru the commitment of “*not a penny less*” made by Welsh Government following the UK’s decision to leave the EU should be adhered to, giving a figure of approximately £374 million. Yet we have seen reductions in funding coming from the UK Government of around £180 million as a result of uncommitted spending by Welsh Government and opaque accounting from Westminster. In order to meet the significant challenges of climate change, biodiversity loss and commitment to Sustainable Land Management – as set out in the Agriculture (Wales) Act 2023 – it is vital the figure of £374 million plus inflation is provided by the UK Government.

Welsh Government has not announced the funding rates they intend to pay for the SFS, resulting in uncertainty for farmers who may wish to participate in the scheme. “*Every time a consultation has been published by Welsh Government, farmers have been frustrated by the lack of certainty on payment rates*” argued Dylan Morgan. This point was reinforced by Iain Hill-Trevor of the CLA, who agreed that budgets were vital to provide the certainty for the farming sector at a time of significant uncertainty in the wider economy. Although Welsh Government has cited the lack of commitment from the UK Government, it is the view of the CPG that they should set out indicative budgets for the SFS at least commensurate with the level of funding Welsh farming received from the EU at the point of EU exit with an increase to match the rate of inflation during that time.

13. https://www.gov.wales/sites/default/files/consultations/2018-07/brexit-and-our-land-consultation-summary-leaflet_0.pdf

RECOMMENDATIONS

In order to improve productivity across the rural economy through food production and the supply chain, the CPG urges the Welsh Government to:

17. set out the funding rates for the Sustainable Farming Scheme (SFS) at the next iteration of the SFS proposals expected in 2024, to allow farm businesses to make informed decisions on whether to participate in the scheme.

6.5 Renewable energy on farms

On-farm renewable energy was another important discussion point during the evidence sessions. The farming unions believe there is insufficient focus on on-farm renewable energy in the SFS proposals so far. NFU Cymru stated that *“in order to meet the net-zero commitments Welsh Government is legally bound to, there must be incentivised support for on-farm renewable energy”*. This incentives regime must go hand-in-hand with the projects under consideration to improve energy networks across Wales, including the Bute Energy proposals for a new network across Carmarthenshire and Powys¹⁴. The incentivisation of such projects must be provided for by a separate budget outside of the agriculture budget.

RECOMMENDATIONS

In order to improve productivity across the rural economy through food production and the supply chain, the CPG urges the Welsh Government to:

18. incentivise and integrate on-farm renewable energy projects using funding outside of the agriculture budget.

6.6 Supply chains

Supply chains, a specific Welsh Food Bill and incentivising local food networks were all discussed by witnesses. The cost-of-living crisis is having a significant impact on consumer food choices, and there is more Welsh Government can do to incentivise the production and purchase of local food by communities. Duncan Fisher, from Our Food 1200, outlined the work his organisation was doing to develop shorter supply chains for locally grown fruit and vegetables. The small-scale horticulture businesses he is working with are profitable on small tracts of land *“but are not eligible for the Basic Payment Scheme or the Sustainable Farming Scheme due to the minimum area required to apply”*. He argues that by

14. <https://bute.energy/category/news/page/2/>

developing a mechanism that allows them to access funding, a greater supply of locally grown produce would be made available to communities across Wales.

Peter Fox MS outlined how his private member's Food Bill (Wales) (which received support from across the industry before being stopped by Welsh Government¹⁵) would improve sustainable food production in Wales. The Bill's intended purpose was to establish a more sustainable food system in Wales and included provision for:

- establishing 'Food Goals' to help deliver the Bill's main policy objective;
- requiring public bodies to take reasonable steps to advance the food goals;
- establishing a Welsh Food Commission with the objective of promoting and facilitating the advancement and achievement of the food goals by public bodies;
- requiring Welsh Ministers to prepare and publish a national food strategy; and
- requiring public bodies (other than the Welsh Ministers) to make and publish a local food plan.

Peter Fox MS explained that *"to have sustainable food production you must have sustainable food producers and that is where government really need to make sure they focus"*. It is often new entrants and young farmers that wish to develop businesses that supply local fruit and vegetables but struggle to access finance and are prevented from selling to local authorities by government-enforced procurement contracts.

It was the view of Alice Ritchie from Tesco that *"consumers do not like to be told what to do"*. However, there is a role for Welsh Government to begin nudging consumers to eat more local and seasonal produce, particularly as international supply chains that enable UK consumers to eat certain products all year round are the most vulnerable to climate change.

RECOMMENDATIONS

In order to improve productivity across the rural economy through food production and the supply chain, the CPG urges the Welsh Government to:

19. bring forward advice, guidance and funding to develop local food networks that incentivise small-scale producers in the final proposals for the Sustainable Farming Scheme (SFS).

15. <https://business.senedd.wales/mglIssueHistoryHome.aspx?lId=40509>

List of abbreviations

BPS	Basic Payment Scheme
CBI	Confederation of British Industry
CLA	Country Land and Business Association
Confor	Confederation of Forest Industries
CPG	Cross-Party Group
DBW	Development Bank of Wales
EU	European Union
FUW	Farmers Union of Wales
LPAs	Local Planning Authorities
NFU	National Farmers Union
PiP	Permission in Principle
PPW	Planning Policy Wales
SAC	Special Areas of Conservation
SFS	Sustainable Farming Scheme
SuDS	Sustainable Drainage Systems
WAVA	Welsh Association of Visitor Attractions
WLGA	Wales Local Government Association
WTA	Wales Tourism Alliance

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Generating Growth in the Rural Economy: an inquiry into rural productivity in Wales

The views expressed in this report are those of the Rural Growth Cross-Party Group (CPG). Cross-Party Groups are informal groups of Members of the Senedd with a common interest in particular issues.

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For further information on the CPG report *Generating Growth in the Rural Economy: an inquiry into rural productivity in Wales*, published in March 2024, contact:

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The Rural Growth Cross-Party Group

GENERATING GROWTH IN THE RURAL ECONOMY:

an inquiry into rural
productivity in Wales

