

Supporting coastal and rural communities

Research Briefing

July 2022



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Introduction

On 15 July, the Senedd's **Committee for the Scrutiny of the First Minister** will scrutinise the First Minister, Mark Drakeford, on the Welsh Government's support for coastal and rural communities. This briefing sets out some of the main issues that could be discussed during the session.

Tourism

Proposals for a tourism levy

Tourist levies are common in many tourist destinations across the world. These levies are used to finance the maintenance and upkeep of tourist facilities as well as caring for the environments that tourists visit. The Welsh Government's **Programme for Government** and the **Co-operation Agreement** both pledge to introduce legislation which would allow local authorities in Wales to charge a tourism levy.

The **Local Tourism Levy** is a proposed levy that would be applied to overnight stays in Wales. The decision to charge a levy would be left to individual local authorities, and the money raised would be invested into the local authority area. The Minister for Finance and Local Government, Rebecca Evans MS, **outlined** the levy as an opportunity for local authorities to 'manage and invest in the services and infrastructure which make tourism a success', whether this be the cleaning of beaches or maintenance of toilets and footpaths. The levy is being proposed to support the future of tourist locations in Wales by promoting a more sustainable approach to tourism. The **exact fee** that visitors will be charged has not been decided yet.

The Wales Tourism Alliance (WTA) has **acknowledged** the use of tourism levies in other countries, but has highlighted that where levies are implemented, rates of VAT are typically lowered on tourism and hospitality. With the current rate of VAT in Wales, the WTA suggests that introduction of a tourism levy would be a form of 'double taxation' when compared to other destinations.

The Minister for Finance and Local Government has **recently approved** funding for three research projects to support the advancement of the proposed tourism levy. It has been **reported** that this research will consider the economic impacts of

a tourism levy in Wales; the tax systems of other specified countries where tourism levies are used; and an assessment of the demographics of the accommodation sector in Wales.

A formal **consultation** on draft legislation is due to take place in Autumn 2022.

What have Senedd Committees said?

The Economy, Trade and Rural Affairs Committee recently published a report on securing the future of the hospitality, tourism and retail sectors. The Committee's wide-ranging recommendations included a call for the Minister for Economy to "continue the dialogue with HM Treasury on possible future changes to the level of VAT to support the fragile recovery in the hospitality, tourism and retail sectors, particularly in light of growing cost of living pressures on businesses in those sectors".

The importance of the tourism sector in Wales was also highlighted in the Local Government and Housing Committee's recent report on **Second Homes**. The Committee noted that "many of those who gave evidence referred to the economic benefits of tourism to Wales, particularly in rural and coastal areas where a significant proportion of people rely on the tourist and hospitality industries for their livelihoods".

The Committee also highlighted that in some areas of Wales the economic benefits of tourism are being outweighed by negative impacts and recommended that the Welsh Government should commission further research into this issue.

Regional economic development

Regional Economic Frameworks

In December 2017 the Welsh Government published its **Economic Action Plan** which set out the government's intention to adopt a new 'regionally-focussed model of economic development'. The aim of this approach was to 'develop the distinctive strengths of each region in pursuit of growth, but to do this inclusively, recognising and addressing the regional disparities in wealth and opportunity between different parts of Wales'.

As part of the approach the Economic Action Plan announced that the Welsh Government had appointed Regional Officers to lead each of the economic regions and bring partners together to 'develop and deliver regional business

plans that identify regional priorities and opportunities'. In the years that followed these regional business plans became known as 'Regional Economic Frameworks' (REFs).

In December 2021, four years after the publication of the Economic Action Plan, the Minister for Economy published a **written statement** highlighting the publication of **REFs for the four economic regions** – North Wales; Mid Wales; South West Wales; and South East Wales.

All four of the REFs have been published in draft form with the Minister's statement noting that they are all at 'slightly different stages of development'.

According to the Minister the REFs will 'play a key role in delivering our Programme for Government commitment of progressing our Economic Recovery & Resilience Mission and should inform our collective efforts'.

Digital infrastructure

Background

Telecommunications is a reserved matter, meaning that Welsh Government interventions in this area are limited to grant funding and using devolved policy levers – such as planning and business rates – to encourage private investment in broadband and mobile networks. The Welsh Government's Digital Strategy notes:

These are still reserved matters for which the Welsh Government is not responsible and receives no devolved funding. [...]

We will invest to support service delivery where there is a case for it, however, we must also focus on ensuring that the UK Government fulfils its responsibilities in Wales.

Broadband coverage

Over the past eight years the gap between superfast broadband availability in Wales and the UK average has **reduced dramatically**, following investment led by the Welsh Government through its Superfast Cymru programme.

Back in 2014, 55% of residential premises could access broadband at speeds of 30 Megabits per second (Mbps) or higher, compared to 75% across the UK as a whole. In 2021, this figure had increased to 94% (UK average 96%). This is the sort of speed that enables one person to stream 4K/Ultra High Definition video or several devices to work simultaneously.

Coverage of premises by fixed broadband networks in Wales compared to the UK average 2021

Metric	Wales	UK
Full fibre ¹	27%	28%
300 Mbps or faster	44%	65%
100 Mbps or faster	46%	66%
30 Mbps or faster	94%	96%
10 Mbps or faster	97%	98%
Less than 10 Mbps download speed or 1 Mbps upload speed	3%	2%

Source: Ofcom Connected Nations 2021 [Interactive report](#). Figures for speeds of 10 Mbps or less are for all premises, whereas other figures are just for residential premises.

Ofcom [estimates](#) that around 15,000, or 1% of premises cannot get a decent broadband service of at least 10Mbps download speed and 1Mbps upload speed from either fixed or fixed wireless networks. These premises may be eligible to be connected under the UK Government's [Universal Service Obligation](#).

Mobile coverage

The gap between Wales and the UK average is more stubborn when it comes to mobile coverage. 60% of Wales has access to 4G geographic coverage from all 4 operators (UK figure 69%).

4G geographic coverage in Wales compared to the UK average 2021

Metric	Wales	UK
At least one operator	90%	92%
All operators	61%	69%

Source: Ofcom Connected Nations 2021 [Interactive report](#)

Policy responses

In June the Deputy Minister for Climate Change, Lee Waters MS, [told](#) the Climate Change, Environment and Infrastructure Committee:

¹ The connection from the exchange to the premises is provided entirely over optical fibre. Generally, distance to the premises does not affect the speed delivered.

The final 1 per cent [of broadband coverage] is a really knotty problem. [...]... but it's my view that we should now stop being so active in this area. Our budget settlements have shrunk. It is for the UK Government to step in and step up into that space, not for us.

In April 2022 the Welsh Government ended its top-up scheme which provided additional funding to recipients of the UK Government's **Gigabit broadband voucher scheme**. The Deputy Minister for Climate Change **said** that "the UK funding has failed to reflect the true cost of deploying in the Welsh landscape", and that he has met with the UK Government to suggest that "the upper cost threshold of the scheme should be reviewed by the UK Government to reflect the cost of deploying gigabit broadband in rural and remote areas".

The Welsh Government's **Access Broadband Cymru** provides grants to individuals for the installation costs of new broadband connections. Its **Local Broadband Fund** supports local authorities and social enterprises to deliver broadband projects locally.

BT is currently running a Superfast Cymru successor scheme for the Welsh Government to connect 39,000 premises. The Welsh Government is contributing £24 million of a total public funding of £59 million. Building should be complete in 2022.

Broadband networks have, on a number of occasions, received direct investment from governments across the UK. Mobile networks have instead been largely left to commercial deployment, with government levers used to incentivise rollout on the edges of commercial viability: for example, by tweaking planning rules for masts, or through Ofcom's allocation of "spectrum" (bands of radio frequencies over which mobile signals are transmitted).

March 2020 saw the UK Government agree to invest over £500 million in a **Shared Rural Network**. This plan will see the four mobile network operators – who are also putting up over £500 million of their own resources - develop a network of new and existing phone masts, overseen by a jointly-owned company called Digital Mobile Spectrum Limited. Each operator is committed to 88% data and voice coverage of UK landmass by 2024, and 90% of UK landmass within 6 years from 2020.

Rural communities

Transport poverty in rural areas

The Public Policy Institute for Wales notes that public transport in rural areas is 'infrequent, inadequate and more expensive than elsewhere'. The limited availability of public transport can therefore lead to **greater use of private vehicles in rural areas**.

A **Sustrans Cymru report**, published in June, emphasises that people living in rural areas are some of the worst affected by transport poverty. This is where a household would need to spend more than 10% of its income on running a car (whether the household has a car or not).

The First Minister said in his **previous appearance before this committee** that public transport is still significantly affected by the Covid situation with passenger numbers not back to where they were before the pandemic. He also said the level of subsidy provided by the Welsh Government to keep the system afloat is "extraordinary" - £130 million in the last year over what would have been expected for bus services, and a similar figure for rail.

Tree planting

The Welsh Government has a target to plant 43,000 hectares (ha) of new trees by 2030 (almost 5,000 ha per year), rising to 180,000 ha by 2050 (over 6,000 ha per year) to help reach net zero, consistent with **advice from the Climate Change Committee**.

Tree planting rates in Wales have been poor for decades: only an average of 450 ha of new trees were planted per year in the ten years to March 2021. An annual planting rate of 1,000 ha hasn't been reached since 1989.

In early 2021 the Deputy Minister for Climate Change, Lee Waters MS, **led a deep-dive** into removing barriers to planting. **Recommendations** include a **new funding scheme for woodland creation** and a strategy to coordinate timber supply and construction..

The Welsh Government is developing a **national forest** and said it would **consult on a long term strategy** in January 2022. At the time of writing this briefing the consultation had yet to come forward.

Media reports highlight rural community concern about large companies outcompeting local families to buy farms to plant trees for carbon offsetting. No published data exists on the extent of this issue but the Climate Change Minister, Julie James MS, **acknowledged in October** that there's potential for a "real problem".

The Deputy Minister **said in November** he'd established an expert group "to look at alternative financing models ... to keep the control and ownership locally" and "get the finance in so ... tree-planting targets can be met."

The First Minister **told the Senedd in February** the expert group had reported with proposals including reducing payment rates in the new woodland creation scheme for non-farmers and those receiving carbon credits, and reviewing land definitions to protect productive farmland.

Food production

Agriculture Bill

Leaving the EU meant leaving its **Common Agricultural Policy (CAP)**. The UK **Agriculture Act 2020** currently maintains the CAP-style system of farm support in Wales. The Welsh Government is developing proposals to fundamentally change farm payments and intends to bring forward a Welsh Agriculture Bill in the autumn.

The Bill will establish a new Sustainable Farming Scheme (SFS). A **draft SFS is expected before summer recess**.

The **SFS will set out a very different approach** to farm support, based on the principle of **sustainable land management**. It would reward farmers for providing 'public goods' from the land, including both social and environmental improvements.

Contrary to the current approach, farmers wouldn't receive support specifically for producing food. The Welsh Government argues that **food has a market value so shouldn't be classed as a public good** and shouldn't be directly funded by the state.

Instead, funding would focus on the non-marketable benefits of sustainable food production such as enhancing biodiversity and sequestering carbon (capturing and storing carbon).

The scheme is anticipated to open in January 2025. You can read more on the Bill and the SFS in this Senedd Research briefing: [Agricultural support](#).

Rising input costs

The Andersons Centre (a farm business consultancy and research company) reported [on 16 May that UK 'agflation' \(inflation linked to rising agricultural costs and prices\) stood at 30.6%](#), levels not seen in decades and driven primarily by the war in Ukraine.

On 20 May the European Commission announced an [emergency measure to alleviate the impacts of the war on EU agriculture and food production](#). This allows European Agricultural Fund for Rural Development (EAFRD) funding to be used to assist farmers and other businesses “affected by significant increases in input costs.”

The Rural Affairs Minister, Lesley Griffiths MS, [told the Economy, Trade and Rural Affairs \(ETRA\) Committee 15 June](#) that Wales didn't have access to this funding because it had left the EU. She said her previous decision to retain the Basic Payment Scheme (direct payments to farmers) to the end of 2023 is providing “much needed” stability for Welsh farmers.

Adding value to agricultural produce

The Welsh Government's [vision for the food and drink sector](#) is:

To create a strong and vibrant Welsh food and drink sector with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world.

The [Rural Development Programme \(RDP\)](#), part of the CAP, will run until the end of 2023. In March, the Minister announced details of [funding to replace RDP](#) schemes for the next three years.

This funding supports eligible businesses in areas such as environmental and efficiency improvements, forestry and woodland, and food and farming supply chains. It's intended to compliment the SFS.

The Minister said a number of schemes would open for applications within the “coming weeks and months”. However, at the time of writing this briefing, this doesn't include a scheme to support farmers to add value to their produce, as has previously been the case.

The UK Government announced such a **scheme for farmers in England** on 9 June.

Community food strategy

The **Programme for Government** says the Welsh Government will develop a Community Food Strategy to encourage production and supply of locally-sourced food. £1.85 million is allocated to developing the strategy and the Rural Affairs Minister **told the ETRA Committee** in January that scoping work was underway.

Coastal and marine policy

Marine Renewable Energy

Increasing renewable energy generation is increasingly important if Wales is to meet its target of **net-zero by 2050**. The Welsh Government's 2016 **Marine Energy Plan** says "Wales is well positioned to play a global leading role in marine energy".

The Climate Change, Environment and Infrastructure (CCEI) Committee recently undertook an inquiry into **marine environment management**. **Its report** highlights increased potential for jobs and economic growth within coastal communities through developing marine renewable energy.

Crown Estate

The Crown Estate awards the rights to use the seabed through a leasing process. Senedd Research's recent article, **Who owns the seabed, and why it matters**, examines the Crown Estate's role in developing Welsh marine renewables.

As set out in the **Programme for Government**, the Welsh Government is pursuing the devolution of the Crown Estate and its assets to Wales. This is supported in the **Co-operation Agreement** between the Welsh Government and Plaid Cymru.

The **Minister for Climate Change recently told the CCEI Committee** that as well as the issue of the revenue from Wales' marine assets coming back to Wales (as it does in **Scotland**):

... it's much more about being able to plan it out and have the right environmental structures in place, and the right ambition, and to have

the right leverage with the grid about the connections and so on than it is about the revenue, although, of course, we would not be refusing the revenue; that would be a very welcome addition too.

The Minister said she is trying to influence the Crown Estate to include local supply chains and economic benefits as material considerations in the granting of seabed rights and contracts, ensuring “community control of some sort”.

Part of Wales seabed is included in the current **Offshore Wind Leasing Round 4** - the first major UK leasing round in a decade. **The Minister highlighted** the importance of getting the right “infrastructure in place” and ensuring the “grid is fit for purpose” so coastal communities can realise the benefits of offshore development.

Port and grid infrastructure

A recent CCEI Committee report into **renewable energy in Wales** found grid infrastructure is “not fit for purpose”, “is holding back renewable energy development”, and “requires investment, reinforcement and upgrading”.

The Deputy Minister for Climate Change’s **deep dive into renewable energy** also found that:

... a major barrier to scaling up renewable energy generation in Wales is insufficient capacity in the networks responsible for connecting homes and buildings with electricity and gas.

The **deep dive** also recognised that, with the development of offshore projects, “ports provide a gateway to retaining value in Wales”, and that the Welsh Government will:

... work with ports in Wales to identify opportunities for specialisation and collaboration to support renewable energy investments. We will also work with the UK Government, alongside the Crown Estate as a key land owner, to support strategic investment in ports in Wales.

The Welsh Government partnered with **Offshore Renewable Energy Catapult** to undertake an evaluation of **current port capability and current grid capability** for the floating offshore renewable energy sector. These reports make a number of recommendations to the Welsh Government.

Coastal adaptation

Shoreline Management Plans (SMPs) set out a shared strategic approach for managing the coastline from coastal flooding and erosion risks. They are

developed by coastal groups, with a mixed membership including local authorities, Natural Resources Wales (NRW), and other stakeholders with a role in managing the coast.

They aren't statutory documents, however, **NRW says** the Welsh Government wants "to see them considered both in local decision-making and strategic planning".

The Welsh Government's **National Strategy for Flood and Coastal Erosion Risk Management in Wales** states that [emphasis added]:

[In] Wales, 95 coastal areas will move from a 'holding the line' policy (defending) to 'no active intervention' or 'managed realignment' by 2100. **Around 40 of those areas may require relocation of property.**

Supporting coastal communities

The **Coastal Communities Fund** encouraged the economic development of coastal communities by giving funding to create sustainable economic growth and jobs. £22 million has been awarded to **102 projects across Wales** since 2012.

The UK Government decided to stop support for the fund. However the Welsh Government **continued specific support** for coastal towns,

... investing a further £6 million last March, supporting 27 projects focused on job creation, protection, and high-street rejuvenation in coastal town centres

Round 6 of the fund was wholly funded by the Welsh Government. It has now closed for applications and no new rounds are planned at present.

Freeports

The **Welsh Government has reached** an agreement with the UK Government to establish a Welsh freeport.

A freeport is an area within a country's geographic border, but outside its customs area, usually located at, or near, a maritime port or airport. Goods can be imported into, or exported out of, a freeport without incurring duty or taxes. Only when goods enter the domestic market will duty or taxes need to be paid.

Senedd Research has **published an article** detailing arguments for and against

freeports, and explaining the Welsh Government's position before the recent agreement.

Establishing freeports across the UK

In 2020 the UK Government **opened the bidding process** to establish English freeports. It made clear it also wanted to establish at least one in each of Wales, Northern Ireland, and Scotland.

Eight English freeports were **announced in the Chancellor's March 2021 budget**.

The **First Minister has said** "freeports are not a policy of the Welsh Government", citing concerns over environmental and employment standards. **Questions were also previously raised** over the level of financial support available compared to that for English freeports.

In July 2021 the Welsh Government **set out conditions** it expected to be met before discussions over a Welsh freeport continued. This included joint decision making on assessing bids and awarding freeport status, conditions regarding environmental standards and a fair funding settlement.

Agreement between the two governments has since been reached. The **Welsh Government said** its demands had been met. £26m of non-repayable starter funding will be provided by the UK Government - the same deal as that provided for English freeports.

Freeports in Wales

The **Welsh Government has suggested** a Welsh freeport isn't a foregone conclusion. It says bids for freeport status must demonstrate "support [for] our fair work agenda" and provide value for money for Welsh taxpayers.

The structure that a freeport in Wales might take is also not clear. Both governments are **open to a multi-site freeport approach**, relaxing the usual 45km boundary limit. Milford Haven Port previously **told the House of Commons Welsh Affairs Committee** that "a limited number of high-quality zones is most effective...we recommend that a limited number of one, or two, sites is considered in Wales".

The possibility of more than one freeport in Wales has not been ruled out. In May

the **Economy Minister told Plenary** while the current agreement is for funding for one site “there is a potential opportunity [for more] if more than one compelling case is made”.

He also stated that the prospectus for bids will be “coming up over the summer”.