

RURAL PROOFING IMPACT ASSESSMENT

Introduction

The Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill ("the Bill") provides the legislative framework for a licensing scheme for visitor accommodation in Wales, starting with self-catering accommodation. This scheme will support tourism in Wales, by reassuring visitors that accommodation meets the standards they would expect and providing a clear regime for providers.

The licensing scheme will build upon the register of visitor accommodation providers as set out in its companion legislation, the Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 ("the VARL Act"). Under that Act, the Welsh Revenue Authority (WRA) will establish, maintain and publish the register of providers, which will also detail the type and location of the premises they operate across Wales. This information may be of interest to local authorities, visitors, businesses and researchers, and will inform the future licensing scheme.

The Bill will complement other measures introduced by the Welsh Government to address the challenges arising from a concentration of second homes and short-term holiday lets in particular areas in Wales. A secondary outcome of this Bill will be to align more closely regulation of self-catering visitor accommodation with the regulation of the private rented sector, ensuring consistent standards for that accommodation, and monitoring compliance with those standards.

The Bill also creates a Code of Welsh law on tourism that will incorporate existing legislation on the development of tourism in Wales, with a view to improving the accessibility of tourism **legislation**.

What do we mean by Rural Wales?

There is no single definition of rural that is relevant for all purposes. We cannot get away from the fact that there are rural businesses throughout Wales, including in those parts of Wales that are often considered as urban. However, for the purposes of this assessment, we have used Statistics Wales **broad definition** of rural.

The nine local authorities in Wales considered as broadly rural are the Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire, and Monmouthshire. Within this definition, rural Wales accounts for some **80% of the land mass**. At just over one million people it also makes up about **one third of the population of Wales**.

Tourism can influence local communities economically, socially, and environmentally. Our ambition is to **grow tourism for the good of Wales**. The positive economic impacts of tourism can include the creation of more jobs and employment opportunities, increased household incomes, and improved standards of living. The negative economic impacts of tourism can include an increase in the cost of living, a rise in the price of property, goods, and other products, and an increase in property taxes.

Tourism can increase the availability of recreational facilities in communities, improve understanding of cultural identity and language, and promote the preservation and

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revival of traditional arts, culture, and language. The negative social impacts of tourism can include the overcrowding of facilities and services, as well traffic congestion on roads, increased crime, and increased litter.

From an environmental perspective, the potential negative impacts of tourism include damage to the natural environment, and increased air, water, and other forms of environmental pollution.

There may be some [differences between rural and urban areas](#) in terms of how these impacts are realised. Rural tourism operators tend to be smaller, family-owned firms, originating from within the local community and often demonstrating local agricultural products and cultural activities. Rural tourism can stimulate local economic productivity through creating services and job opportunities which provide economic benefit for the area. For example, rural tourism benefits local communities by providing the farming and service sectors with a supplementary source of income. This can support the local economy with new sources of income and employment created through tourism.

The key difference between rural and urban tourism is that in cities or more built-up areas, activities are integrated with other urban activities. Tourists use many of the facilities and services found in cities, some of which are provided specifically for tourists. While urban residents are the primary intended beneficiaries of most urban facilities, such as public transport, roads, infrastructure, and services, they are also available for use by visitors. However, because cities usually have a broad economic base, there is less direct service and infrastructure provision specifically for visitors, which also benefits residents, and economic dependency on tourism is lower.

Key facts about visitors to Wales

Tourism plays a vital role in Wales's economy. Tourism-related industries accounted for 11.8% of employment (159,000 jobs) and 5.1% of GVA in Wales in 2022 (£3.8 billion) in Wales in 2022.

There were over 69 million visits to Wales in 2023, representing a combined spend of over £4.95 billion in the Welsh economy. 8.65 million of these visits were overnight stays, representing a spend of over £2 billion.

Our ambition is to grow tourism for the benefit of Wales in a way which supports thriving local communities and is sustainable for the environment and people of Wales.

Visits to Wales, and their associated economic and social impacts are spread across the regions of Wales, however, the scale of tourism-related industries can vary significantly between local areas, representing up to 20% of employment in Pembrokeshire and Anglesey, but only 7.5% in Wrexham in 2022.

Even at the local authority level, these impacts are not evenly distributed. Listings of properties on Airbnb for example highlight a concentration in mountainous and coastal areas,

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with some local authorities having listings concentrated in a small number of areas. This concentration of holiday lets in particular communities can come with benefits, such as the potential to generate additional income and employment in associated industries, as well as cause concerns such as decreasing the availability of housing, causing parking disruption, and contributing to litter and pollution, as highlighted by a study on attitudes to visitor accommodation licensing in 2023.

The provision of visitor accommodation has changed significantly since the expansion of Airbnb to the UK in 2009 and the participation of other sites such as Booking.com, VRBO and Expedia in the same market. By May 2022 there were 21,718 properties in Wales listed on Airbnb alone and in the May 2023 wave of our Tourism Barometer, 75% of accommodation providers interviewed promoted their accommodation via at least one online platform. 49% of self-catering accommodation providers interviewed reported using Airbnb. The reasons people choose to let out property via these platforms vary widely. However, this reflects the extent to which online booking platforms have opened up the visitor accommodation market to a range of new providers, some operating commercially, some very informally or occasionally.

How the proposal will affect the lives of people living in rural areas

The Welsh Government's ambition is to grow tourism for the benefit of Wales by supporting local communities in a way that is sustainable for the land and environment of Wales, developing a framework which is mutually beneficial to both visitors and citizens.

However, the landscape we are assessing is shifting, which obstructs detailed assessment of the additional, incremental impact of this policy. For example, the impact of increases in council tax for second homes is still in its early days, and the impact of the visitor levy is yet to be felt. Therefore, we are unable safely to predict whether licensing and raising safety standards will affect visitor numbers.

In addition, wider factors influence both visitor and employer behaviour including the macro-economic context. Delineating any precise economic impact of the licensing scheme would be unfeasible. There are a number of factors that influence visitor behaviour. *The Visit Wales Tourism Market Demand Report - UK January 2023 (slides 76/77) highlighted the barriers to visiting Wales in 2023 (which were similar to 2022). The main reasons were that it was 'too far to travel' and 'cutting back on UK trips'. Affordability, reducing carbon footprint, personal circumstances, visiting other destinations and weather conditions were also cited as reasons.*

Improvements to the local infrastructure and services could see an increase in visitors to the area, spurring more employment opportunities in the tourism sector. For example, tourism is an important [diversification sector for the farming industry](#) with the potential to make a significant contribution to the economies of rural areas.

Employment and the economy

The visitor economy is a major source of jobs and economic growth across Wales. When it comes to rural and coastal areas, tourism is a [big economic contributor](#) providing a much bigger proportion of employment and investment in the local economy.

It is recognised that the tourism sector is characterised by many small or micro-businesses. These smaller businesses tend to operate at low profit margins and often lack significant economic buffers. Small changes can mean they may be less able to absorb the impact of any price changes and additional administrative costs. Therefore, the associated administration of the licence may be more burdensome for these businesses, especially those with less sophisticated systems. This burden is increased for those businesses who are less digitally enabled. The impacts of this will be considered *as far as possible* in our post implementation review, the plans for which are detailed in the Regulatory Impact Assessment.

Tourism industries accounted for 11.8% of employment (159,000) in Wales in 2022, a fall from 161,000 in 2019 (12.1% of employment in Wales) during which time overall employment levels in Wales remained unchanged. Regionally, in Mid Wales 13.2% of employment was in a tourism industry in 2020, the largest proportion of the four regions, compared to only 10.0% in South East Wales. A similar pattern can be seen over the past few years, with North and Mid Wales having the largest proportion of employment in tourism industries, and South East Wales the lowest. There is considerable variation within regions and across the nation. In Pembrokeshire and Anglesey, over 20% of employment was in tourism industries, the highest of all local authorities, with the lowest levels, only 6%, seen in Wrexham. There are disproportionate [impacts of inflation in rural areas](#). These have been highlighted in our discussions with the sector. Visitor accommodation providers in rural areas may face higher costs due to the unique location of their offerings. These may include higher energy and transport costs. Additionally, they may have further challenges related to recruitment due to a smaller pool of available labour in rural areas.

Communities

While gathering evidence about a visitor levy, the Welsh Government commissioned [consumer research](#) to obtain the views of Welsh residents and UK domestic holiday makers. When considering tourism in their own local areas, most respondents saw the benefits outweighing the negatives. For example, many noted how much local businesses relied on tourism. In addition, for some there was an element of pride connected to living in a popular area. Further [consumer research](#) to support the development of the licensing scheme highlighted that the greatest perceived negative impacts of increasing visitor accommodation are 'litter or pollution' (50% seeing it as

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having a fairly/very negative impact), 'ease of parking' (47%) and 'ability of local people to find a house to rent or buy in the community' (41%).

The licensing scheme does not depend on infrastructure such as good rail or road connections. However, there could be impacts on businesses in relation to digital connectivity. It is our intention to help those who have limited digital access and skills. This may include non-digital alternatives should this be proportionate to do so.

We recognise that although the root causes of poverty in rural areas are the same as in urban areas, the experience of deprivation may be different in rural areas. It also takes longer to manifest and show in rural Wales due to the sparsity of population. The licensing scheme will not directly address issues such as fuel poverty (including both heating and transport fuel), in-work poverty, access to services and digital exclusion.

Housing

Housing is a major challenge for some rural communities, in terms of both the supply and affordability of homes for local people. Many rural areas have witnessed growth in second home ownership. In his report on [Second homes](#), Dr Simon Brookes suggests there are more than 24,000 second homes in Wales, with the largest numbers in Gwynedd and Pembrokeshire.

Second homes and holiday lets in Gwynedd accounted for more than 10 per cent of the total housing stock. Gwynedd County Council has responded by levying an 150% premium on council tax for such properties. [Research conducted on behalf of Gwynedd and Cardiff Councils in 2020](#) recommended licensing as one of the steps which should be taken to help manage this impact and ensure that, where houses are used as visitor accommodation, they meet the required standards.

Second home ownership is also associated with increased house prices – often in areas where average wages are very low – leading to local people being excluded from the housing market in their communities and subsequent cultural dilution. The Brookes report quotes Abersoch in Dwyfor, where 46% of the housing stock are holiday homes and average house prices were £365,275 in September 2019.

There are other potential disadvantages of rural communities being affected by high levels of second home ownership. These include ghost villages in winter, with subsequent impact on the viability of local services, a shortage of affordable housing or development sites and a threat to the Welsh language as local people are excluded.

Welsh language and culture

The Welsh language impact assessment for this Bill, describes how inseparable the language is from the social fabric of many parts of Wales. In [response](#) to the recommendations in [Empowering communities, strengthening the Welsh language](#), the Welsh Government stated how important the tourism and visitor economy sector is to the Welsh language. This is especially the case in relation to the [foundational economy](#).

The proposed mitigation measures

In preparation for introduction of the VARL Act, the Welsh Revenue Authority undertook user research with a variety of accommodation providers across Wales. They continue to do this as they develop the visitor levy service. This engagement with representative bodies in both the tourist and farming communities has, and continues to, help engage with hard-to-reach groups to understand the impact on them. Our intention is to undertake similar work to support licensing.

Training and guidance

It is important that we seek the views of rural stakeholders, to understand their specific issues in more detail. We have worked with stakeholders, to understand the potential impacts and will develop guidance and training sessions to support visitor accommodation providers through the licensing process. The Welsh Government will provide guidance to help stakeholders such as visitor accommodation providers, local authorities and the public to interpret the legislation and policy.

It is our intention that the guidance developed will align with existing statutory obligations for public bodies. The Equality Act 2010 places a duty on the licensing authority to “give due consideration to its statutory duties to carry out equality impact assessments”. In addition, the authority also has a Welsh public sector equality duty to consider how its policy meets the requirements of the Well-being of Future Generations (Wales) Act 2015. We have also conducted full impact assessments on the equality impact, and socio-economic impact of the Bill where these aspects are considered in more detail.

Design of the scheme

The scheme is being designed with simplicity at its heart, to minimise any administrative burden and ensure efficiency for the visitor accommodation providers and the licensing authority.

The Welsh Government is taking a cautious approach to setting the licence fee and is monitoring the impact over time. [Managing Welsh Public Money](#) sets out that fees should generally be charged at cost. There are many elements that can be taken into accounts in measuring the cost of a service. There are also several elements that cannot be included. Therefore, it is essential to accurately calculate the cost.

CONSULTATION AND ENGAGEMENT

The Explanatory Memorandum sets out the details of our consultation and engagement. However, the following sets out the specific views of the representative bodies in the rural sector.

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The Country and Land Association and Farmers' Union of Wales responded to our consultation. They were both keen to show that farming and tourism are inherently linked, with many farm businesses operating tourism enterprises.

Both bodies make the point that farming businesses have become increasingly reliant on the visitor economy to supplement and support their agricultural income. In addition, they were concerned that profit margins for self-catered holiday accommodation businesses are small.

There were concerns about the increased financial costs that businesses already need to consider, such as the rise in the threshold days to be liable for business rates and the proposed visitor levy. This point was also raised by the National Farmers' Union in their response to the consultation on the visitor levy.

All three bodies were concerned that absorbing any extra costs will be challenging, especially those smaller businesses in rural areas. These issues have formed part of the deliberations the Welsh Government has been considering in drawing up this draft Bill.

EVIDENCE TO INFORM THE ASSESSMENT

An essential part of building a comprehensive and balanced case for policy and legislation is appraising the impact it is likely to have – both positive and negative. Rural areas face challenges and many of these challenges such as geographic isolation, an aging population and an economy based on micro enterprises and SMEs are found across Wales. In rural areas, these may be more severe or combine to form a set of circumstances that may hinder the effective implementation of policy and legislation.

When developing legislation, we analyse the estimated impact on the needs of the people who live, work, socialise, and do business in Wales.

Official data from the Office for National Statistics and Welsh Government have been used where available. However, there are large gaps in the Welsh tourism data needed to inform this assessment. For example, data relating to those who work in, or own, visitor accommodation businesses in Wales is not broken down by socio-economic group. Therefore, drawing conclusions about how much the licencing scheme will impact people is difficult to determine.

A literature review was undertaken by Alma Economics on behalf of Welsh Government to consider potential price elasticities of demand for tourism in Wales. An important limitation of this work is that there are no specific Welsh studies to draw on and most studies consider inbound international passenger flows rather than domestic markets. In Wales, most of our visitors are UK residents.

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Another source we have referred to regularly is the Tourism Barometer. This provides a 'snapshot' of the Welsh industry performance after important points in the tourism calendar.

Sitting alongside these datasets, there is a compendium of data sources. This draws together the visitor and accommodation numbers for different types of establishments (serviced, self-catering, camping/caravan, hostels). Whilst this data is not an official count of properties, it is included to highlight the potential size of the sector. The figures provide some useful context in which to start framing insights into potential impacts and implementation costs.

We have also considered feedback we received as part of the consultations for the licensing scheme and the visitor levy. Further information about this, and our engagement with key stakeholders and stakeholder groups is available in the regulatory impact assessment.