



**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE
SERVICES COMMITTEE ON 5 SEPTEMBER 2023**

SUBJECT: LOCAL VISITOR LEVY

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND
FINANCE)**

1. REASON FOR REPORT

- 1.1 To inform the Committee of the introduction of the Visitor Levy (Scotland) Bill in the Scottish Parliament and seek approval for the recommendations.
- 1.2 This report is submitted to Committee in terms of Section III A (2) of the Council's Scheme of Administration relating to long-term financial plans

2. RECOMMENDATION

2.1 It is recommended that Committee:

- (i) note the details of the Visitor Levy (Scotland) Bill and the proposed timetable through Parliament;**
- (ii) note that an expert advisory group, facilitated by Visit Scotland will be formed to offer opportunities for consultation on the Bill;**
- (iii) note the requirement to conduct consultation and assess impacts on the area before a final decision to implement a visitor levy can be made;**
- (iv) note that the Highlands and Islands Regional Economic Partnership has agreed to look at a consistent approach to consultation and implementation of a visitor levy across the region; and;**
- (v) consider support in principle for the concept of raising funds through a Local Visitor Levy and, given the potential financial implications for the Council, to refer this report on to Full Council for a decision with a recommendation from this committee as to its view on support in principle.**

3. BACKGROUND

- 3.1 Tourism is a key sector which makes a significant contribution to Scotland's economy, identified in Scotland's Economic Strategy which confirms Scotland's National Tourism Strategy, Scotland Outlook 2030, as the vehicle to further this.
- 3.2 Over a number of years, discussions have been held about a Local Visitor Levy (LVL), also known as a tourist tax, which led to desktop research, public consultation and surveys by City of Edinburgh, Aberdeen and Highland Council's.
- 3.3 Transient Visitor Levies (TVLs) are commonplace across many high volume tourist destinations, including much of Europe (two-thirds of EU member states impose some form of visitor levy).
- 3.4 As several Local Authorities along with the Convention of Scottish Local Authorities (CoSLA) have called for the Scottish Government to grant the powers to allow them to levy a LVL in their areas, should local circumstances be supportive; the Scottish Government engaged with CoSLA and the Scottish Tourism Alliance in the design of the national discussion. Between November 2018 and January 2019, the Scottish Government held six roundtable discussions with representatives from national and regional stakeholder organisations, Local Authorities and individual businesses. In addition stakeholders were also invited to provide written submissions.
- 3.5 These discussions emphasised that this subject is a complex one, and that there was both support and opposition across Scotland to the idea of a LVL. The evidence and views provided helped to inform the formal consultation undertaken from September to December 2019. In particular, the consultation sought views to ensure:
- that the legislation provides the powers that are needed for Local Authorities to respond to local pressures;
 - the continuing success of the tourism industry in Scotland can be supported;
 - the LVL can operate in a way that minimises the administrative and compliance burdens for those affected.
- 3.6 An analysis of the public consultation responses was published on 27 March 2020. A total of 1,701 responses were received. There were 499 substantive responses, which were the focus of the consultation analysis, with 224 from groups or organisations and 275 were from individuals. The two largest groups of organisation respondents were accommodation provider, with 49 responses from hotels and 67 responses from other accommodation providers (including B&B's, guesthouses, caravan parks and campsites). 1,202 responses were based on a Living Rent related campaign, and while not directly responding to the questions in the consultation paper, raised some pertinent points.

3.7 The key findings from the consultation analysis were:

- 42% of respondents supported a visitor levy that was set out mostly at a local level with some overarching national principles. The majority of local authority respondents supported this approach. Accommodation providers tended to favour a wholly national framework.
- 35% of respondents supported a visitor levy being based on a percentage of the accommodation charge. 32% supported a flat rate per person per night, and 24% support a flat rate per room per night.
- A majority of respondents thought there should be a national framework within which a visitor levy rate could be set by a local authority. A general theme was that any decision on a visitor levy should be based on robust evidence, including an economic impact assessment.
- A large majority (ranging from 82% to 96%) supported a local authority needing to consult and conduct relevant impact assessments before introducing a visitor levy.
- A majority of respondents thought revenues from a visitor levy should be allocated to priorities articulated in local tourism strategies, where they exist.

These views shaped the proposals in the Bill.

3.8 The Visitor Levy (Scotland) Bill (SP Bill 28) was introduced in the Scottish Parliament on 24 May 2023. If passed by the Scottish Parliament and following Royal Assent, the Visitor Levy (Scotland) Bill will give local authorities the power to apply a levy on stays in overnight accommodation based on a percentage of the accommodation cost, with the percentage rate to be set locally. A percentage based levy means that the level of visitor levy paid is proportionate to the cost of the accommodation and will reflect the amount of money the visitor is prepared to spend on their accommodation.

3.9 The 3-stage process for Government bills is now set in motion. These stages include:

Stage 1– the Bill was given to a lead committee, Scottish Parliament’s Local Government, Housing and Planning Committee, who is responsible for examining the Bill, hearing from other committees, experts, organisations and members of the public about what the Bill would do. The committee then write a report and Parliament will vote on the general principles of the Bill. This stage can take a few months.

Stage 2 – any suggested amendments are considered at committee level and only committee members can vote on amendments at this stage.

Stage 3 – further amendments to the Bill can be proposed by any MSP and all MSPs debate and vote on the Bill.

3.10 If the Bill is passed, there is a four week period when it may be challenged by the Advocate General, the Lord Advocate, and the Attorney General or by The Secretary of State for Scotland. After the four week period, The Bill is then sent for Royal Assent.

- 3.11 There is no set timeline for the Bill to move through Parliament however given the requirement for an 18 month notification period for accommodation providers, it is assumed that the earliest a visitor levy could be applied in Scotland would be 2026.
- 3.12 The overall policy objective of the Bill is to give discretionary power to local authorities to introduce a levy on stays in overnight accommodation in all, or part, of their area if they choose to do so. Giving local authorities this power will strengthen local democracy by giving a discretionary new fiscal power. Funding raised from a visitor levy will be required to be spent on the visitor economy, such as facilities or services substantially for or used by visitors, providing a local authority with new resources it can use for these purposes. This may be particularly relevant in areas where public services are under additional pressure due to the number of visitors to an area.¹

The policy intention is that funds raised by the levy will be additional to other sources of funding, and are not intended to act as a substitute for other sources of funding for local government or the annual budget process through which the local government settlement is determined.¹

- 3.13 The policy intention behind all of these provisions is to create an effective, proportionate and robust framework within which a local authority can establish a visitor levy. The purpose of these provisions is to ensure that appropriate consultation, impact assessment, transparency and accountability is in place for any visitor levy schemes established by local authorities. Alongside the creation of that power the Bill introduces a number of requirements that a local authority must meet when introducing such a levy and a process that will need to be followed including consultation. It also specifies the purposes for which funding raised by a levy can be used, and relevant reporting and transparency requirements relating to that. Lastly the Bill creates relevant powers and duties, giving a local authority powers to allow it to effectively enforce a levy.
- 3.14 The Bill sets a requirement for local authorities to conduct a consultation with representatives of communities and businesses engaged in tourism, and tourist organisations, in its area, along with any other people or bodies who will be affected by the proposal, clearly setting out the how the proposed scheme will operate, and on the objectives it has for a scheme. Local authorities will be required to prepare and publicise a report which summarises the consultation responses received, its response to the consultation, and its reasons for continuing, modifying, or abandoning a visitor levy proposal. In addition there will be a requirement to assess impacts on the area before a decision to implement a visitor levy is made. The full detail of requirements will be set out in the Bill and only finalised at the end of Stage 3. Industry participation will be vital to the success of the consultation.
- 3.15 During 2019, Highland Council, undertook pre-consultation on a LVL, holding six round-table meetings with representatives from the tourism industry. The sessions were not designed for testing a formal policy proposition, but were to gather information to help ensure that their next steps were informed by the views raised by the industry, and that their methodology for considering a Highland LVL was robust and fair. The workshops highlighted how many of the oft-cited impacts on a visitor levy are more complex than at first glance

and the need to understand the nuances of these. The critical need to capture and articulate the unique Highland perspective on any visitor levy was a key message and that Highland Council must therefore gather regional evidence both for its own research/decision making and to inform Scottish Government's. All participants agreed that any consultation cannot be a yes or no referendum, but must give respondents the opportunity to voice opinions on the range of potential visitor levy impacts and designs.

- 3.16 In advance of implementation, an expert advisory group, facilitated by Visit Scotland, will be formed to bring together tourism industry bodies and local government to discuss how best any visitor levy can be implemented and to develop national guidance for local authorities.
- 3.17 As the Bill moves through the process as noted in section 3.7, members of Highland and Islands Regional Economic Partnership (H&I REP) have the opportunity to develop a unified approach, one that will take account of the needs and ambitions of each local authority who wish to apply a levy. This will allow for a stronger voice for the local authorities and the industry with the relevant Scottish Government Department(s). The proposed consultation will enable councils to select a preferred regional approach that;
- takes into account all of our diverse geographic and community strengths and weaknesses;
 - takes forward an approach that has the broadest range of support from the public and industry;
 - will highlight the similarities and at the same time the uniqueness of each part of the region;
 - carefully considers any alterations or additional charges which might impact the competitiveness of the sector;
 - explores the benefits of having as even a playing field regionally as possible to avoid visitor confusion.

Full engagement by representatives of the H&I REP in the expert advisory group to be initiated by Visit Scotland will establish a cohesive approach.

- 3.18 The types of overnight, commercially let accommodation which would be liable for LVL are: hotels; hostels; guest houses; bed and breakfast accommodation; self-catering accommodation; camping sites; caravan parks; boat moorings or berthing's; accommodation in a vehicle or on board a vessel, which is permanently or predominantly situated in one place, and any other place at which a room or area is offered by the occupier for residential purposes otherwise than as a visitor's only or usual place of residence.
- 3.19 At present Moray has 638 accommodation establishments, consisting of 58 Hotels, 54 Guest Houses / B&B and 526 Self- Catering facilities. In addition there are 4 camping sites, 21 caravan sites and 5 Hostels, excluding at this point Air/B&B's. (Source: Moray Council, Taxation Team, May 2023). It should be noted that legislation governing Self-Catering Units is currently under review, so their numbers may decrease.
- 3.20 Tourism is a major part of Moray's economy, accounting for 10% of jobs and providing an economic impact of over £96m. According to the Scottish Tourism Economic Activity Monitor (STEAM) in 2021, 326,380 visits were made by visitors staying in Moray as part of a holiday or short break. On

average, visitors staying in Moray stay 3.7 nights and spend £19.03 million on local accommodation. Between 2010 and 2019 (2020 and 2021 numbers are not included as tourism was badly hit by the pandemic) staying visitor numbers increased by 29.7% and total day visitors increased by 33.8%. The average length of stay for all visitors staying in serviced accommodation is 1.9 days and for non-serviced accommodation this rises to 7 days, indicating a higher proportion of weekly rentals. It should also be noted that overnight visitors typically have a greater economic impact than day visitors, making a greater proportion of employment opportunities for the sector.

- 3.21 It is estimated that tourism numbers will return to pre-pandemic numbers by 2025 but with a different type of visitor including staycationers, and caravanners/motorhomers. While this increase is welcome and the Council led Coast to Country partnership project has enhanced facilities across rural parts of Moray, these increasing numbers of visitors will also place additional pressure on public infrastructure owned and managed by the local authority. For the council, currently there is no additional income from these visitors.
- 3.22 Cities operating existing occupancy taxes charged on the basis of a percentage of the accommodation price have been found to charge rates of between 1% and 7%. Based on the STEAM 2021 figures, it is estimated that a Moray LVL based on overnight stays could generate an annual revenue of between £190,300 and £1,332,100 if charging 1% and 7% respectively.
- 3.23 If Moray participated in the LVL scheme the revenue raised could be used for marketing and promotion of Moray as a destination through Visit Moray Speyside as well as being used directly to provide the infrastructure and facilities essential to tourism such as car parks, core paths, and public toilets and enable town centre flower beds, open spaces and parks and amenities to become more attractive. Providing a more attractive visitor experience would increase the likelihood of a growth in visitor numbers and consequently provide more income that will allow for further investment, improvements and maintenance. With a £20m funding gap, there is an ability to redirect some of this existing infrastructure spend (to be covered by funding from TVL) so making revenue savings whilst also enhancing our tourism offer.
- 3.24 Through previous Culture and Heritage Strategies, Moray Great Places and the Culture Radar report there has long been identified a need for a Cultural and Heritage Trust in Moray to provide support for the sector and help develop the event calendar to extend the tourist season in Moray. This is being taken forward as an option within the Moray Growth Deal Cultural Quarter project and the LVL could provide the funding to facilitate such a Trust and development of the sector in Moray to increase tourism and benefit the businesses collecting the Levy.
- 3.25 COSLA has campaigned for more local tax raising powers with a LVL being one such opportunity.
- 3.26 As the TVL will have a material bearing on potential future savings for the Council which go beyond the fiscal remit of this Committee, Committee is invited to take a position in principle on TVL, and refer the matter onto Full Council for determination in light of this committee's recommendation. Full Council may then choose to call this matter in until TVL issues are determined.

4. **NEXT STAGE**

- 4.1 If Full Council supports the concept of raising funds through a Local visitor Levy following a referral by this committee, a further report would then be presented to the relevant Committee (this Committee or Full Council if Full Council chooses to call this matter in) to seek approval for funding the procurement of suitable companies or research institutes to carry out the consultations of independent engagement with the business community and wider public and provide visitor surveys as this process needs to be resourced.
- 4.2 A Moray wide consultation, estimated to cost £10,000 - £40,000, for businesses, organisations, residents and visitor surveys is estimated to be approximately 5- 6 months and would include the following:
- pre-consultation stakeholder discussions, to gather feedback on proposed questions that will inform the consultation process
 - workshops and drop-in sessions
 - on line survey with the option for written submissions
 - a visitor survey
- 4.3 The consultation and surveys would seek to establish the following:
- support or opposition of a Moray LVL
 - the operation of a Moray LVL i.e. who should pay, when and how much
 - priorities of investments for any levy generated
 - support or opposition of a Moray LVL

5. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

A potential Moray LVL will contribute to achieve the corporate plan priority to promote economic development and growth, also the LOIP priority of a growing and sustainable economy.

(b) Policy and Legal

The Council considers support for economic development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan and Corporate Plan.

(c) Financial implications

If the Scottish Parliament passes the Visitor Levy (Scotland) Bill and following Royal Assent, should local circumstances be supportive, it could potentially generate an annual revenue to invest in local tourism related infrastructure, marketing and cultural and heritage services expanding the event schedule in Moray, helping to attract more visitors to Moray. Depending on the percentage of levy applied, revenues raised could range from £190,300 to £1,332,100.

There would be cost implications for administering a Moray LVL, including:

- conducting initial consultation and conducting and publishing an impact assessment
- initial set-up costs for procuring an IT system, or upgrading an existing one
- recruitment and training of staff for administering the scheme in addition to an awareness raising campaign
- ongoing administration costs, including costs associated with monitoring and enforcement and communications
- reviewing the visitor levy scheme every 3 years

Initial consultation and set-up costs could range from £110,000 to £460,000, and ongoing administration costs could range from £145,000 to £240,000.

The Scottish Government will not provide funding to local authorities to meet any costs associated with designing, implementing or applying any visitor levy scheme.

In addition to costs which will borne by the council following the introduction of a LVL, businesses too will be impacted with additional operational overheads for administering.

Members should consider how this sector and associated infrastructure will be funded in future years given the ongoing financial constraints facing the Council if the LVL was not supported.

Estimated spend which could be recovered on tourism essential infrastructure and facilities is £300,000 to £475,000.

(d) Risk Implications

The Scottish Government published the Bill on 24 May 2023. The Bill has to be passed by Parliament and requires Royal Assent. At this time, it is forecast that the earliest a visitor levy could be applied in Scotland would be 2026. Risks identified, include:

- a considerable delay in the process of passing the Bill
- businesses may include administration and remittance costs within the overall charge which will raise market costs
- visitors may choose areas which have not introduced a levy

Given the scale of the annual income potentially generated by TVL and the scale of the budget gap and associated risk, it is recommended that this committee considers its position in principle on TVL then refers this matter to Full Council which has an overview of the budget process across all service areas for a final decision, with a recommendation from this committee based on its views.

(e) Staffing Implications

There are no staffing implications at this stage, with any support for the processes accommodated within existing staffing resources.

The extent of any administrative and staffing burden originating from the introduction of LVL is unknown at this time due to the uncertainty about the manner in which any LVL scheme would operate, however it is unlikely that it could be absorbed within existing staffing and budgetary structures. Indicative staffing numbers, as highlighted in the Visitor Levy (Scotland) Bill – financial memorandum, is a requirement for 3-5 full-time equivalent members of administrative staff, but the ability to work across the H and I Rep would also be a factor. It will therefore be necessary to carefully consider and assess this at the appropriate time.

(f) Property

None arising from this report, however if a Moray LVL is established it would allow investment in tourism related facilities and infrastructure.

(g) Equalities/Socio Economic Impact

An impact assessment is not required.

(h) Climate Change and Biodiversity Impacts

Tourism can cause carbon emissions through transport, accommodation etc. The impacts of climate change as well as the impacts of higher tourist numbers can place stress on vulnerable areas of nature and the environment. The environment of Moray is a main factor behind the decision of many to visit the area and to experience the beauty of our coasts, forests and mountains.

Revenue from a visitor levy could include a focus on mitigating carbon emissions by providing resources to invest in Moray's footpaths, coasts, forests, rivers and biodiversity as well as the promotion of sustainable tourism. In addition, supporting tourism businesses to reduce their carbon footprint will assist in preventing some of the impacts of tourism on the climate.

(i) Consultations

Consultation has taken place with the Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, the Equal Opportunities Officer, the Head of Financial Services, Taxation Manager and Lindsey

Robinson, Committee Services Officer have been consulted and comments received have been incorporated into the report.

5. CONCLUSION

- 5.1 Introduction of the Visitor Levy (Scotland) Bill presents Local Authorities with an opportunity to implement a local visitor levy scheme, if the Bill is passed by Parliament and Royal Assent is granted. The requirements set out in the Bill must be met, including consultation and assessment of impacts before a decision to implement a visitor levy is made.**
- 5.2 As the Bill moves through the Parliamentary process, it is considered that developing a regional approach to consultation and implementation via H&I REP would create consistency and strength of voice, with local consultation carried out to inform variances when more detail is known.**
- 5.3 The revenues from LVL could provide much needed investment for tourism related facilities and services in Moray, transforming how these are funded. Providing a more attractive visitor experience will increase the likelihood of growth in visitor numbers. In addition, funding could help to partially offset existing infrastructure costs met by the Council and so contribute to bridging the Council's budget gap.**

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Background Papers: Held on file within Economic Growth & Regeneration
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