

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	7 August 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Visitor Levy
REPORT NUMBER	CR&E/24/225
DIRECTOR	Gale Beattie
CHIEF OFFICER	Julie Wood
REPORT AUTHOR	Jamie Coventry
TERMS OF REFERENCE	1.1.9, 2.1.2, 3.2, 3.4

1. PURPOSE OF REPORT

- 1.1 This report provides an overview of the recently passed Visitor Levy Bill that allows Local Authorities in Scotland to charge a fee or tax on overnight stays, describes the various activities that Aberdeen City Council would have to carry out to introduce a visitor levy and the costs and benefits of doing so.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Visitor Levy Bill has become law as the Visitor Levy (Scotland) Act 2024 having received Royal Assent on 5 July 2024;
- 2.2 Note the various stages including the outline proposal, consultation, and public report that local authorities are required to engage in prior to a decision on whether to proceed;
- 2.3 Note the absolute earliest a VL scheme can come into effect is Spring 2026, with a proposed timeline that Aberdeen could introduce a visitor levy in paragraph 3.9;
- 2.4 Note the estimated costs and revenues of implementing a Visitor Levy scheme in Aberdeen and the benefits for both city residents and tourists; and
- 2.5 Instruct the Chief Officer - City Development and Regeneration to develop the Visitor Levy scheme proposal with key stakeholders and report back to Finance and Resource Committee in Autumn 2024 with plans for wider consultation.

3. CURRENT SITUATION

- 3.1 The Visitor Levy (Scotland) Bill, introduced on 24 May 2023, was passed on 28 May 2024. This legislation allows local authorities in Scotland to charge a fee or tax on overnight stays in some types of accommodation. The levy would be calculated as a percentage of the chargeable transaction for accommodation,

after deducting any commission costs. The main purpose of the bill is to enable councils to invest more in local tourism facilities and services that benefit visitors and residents.

- 3.2 The local authority has the discretion to set what the rate is. The legislation allows for local authorities to set different rates for different purposes or areas meaning that a local authority could, for example, set different rates in relation to particular events, such as arts festivals or special conferences and that local authorities can vary the area in which the levy applies within a local authority. However, the local authority cannot vary the type of accommodation that it applies to.
- 3.3 Such accommodation includes hotels, bed and breakfasts, hostels, guest houses, self-catering accommodation, camping sites, caravan parks, 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.
- 3.4 Cruise ships and motor homes are not subject to the levy. The levy is not payable where the visitor or any other person utilising the right to reside in the overnight accommodation is in receipt of benefits, payments or allowances for a disability.
- 3.5 Two or more local authorities may act jointly to implement a Visitor Levy scheme (VL scheme). In this case each local authority should retain the revenue generated from the visitor levy in its own area. Officers could explore a joint visitor levy option with officers in Aberdeenshire Council to gauge interest and follow up with colleagues nationally on the potential impact of costs to local authorities of a joint visitor levy across two local authorities.
- 3.6 Accommodation providers will be responsible for its collection, recording it and remittance to Council. Councils will have enforcement powers, will need to corroborate the amount collected and provide penalties for non-payment and further guidance is expected at a national level in due course. An estimate of the costs of doing this is provided in the administration costs of the financial implications section.

Implementing a Visitor Levy Scheme

- 3.7 The Bill also sets out some general principles and requirements for councils that choose to apply a visitor levy (VL). Before a local authority can introduce a VL scheme, they must take the following steps:
 - **Outline the Scheme:** The authority needs to prepare and publicise a clear outline of the proposed scheme. This outline should explain who won't have to pay the levy or can get a refund, the objectives of the proposal and include how the authority intends to measure and report on the achievement of those objectives. It should also include an assessment of the impact of the proposal on persons living within the scheme area and other persons likely to be affected.

- Consultation: The Bill requires a local authority to consult 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.
- Public Report: The local authority 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.
- Publishing: If a local authority formally decides to introduce a visitor levy scheme, the Bill requires it to notify the Scottish Ministers of its decision, to publicise that it is introducing a visitor levy scheme with the proposed date on which it is to come into effect.

Implementation Timeline

3.8 The lead in time for commencing a local visitor levy scheme will be **18 months after the completion of these consultations and published intent to proceed**. This is to allow time for accommodation providers to ensure they have the necessary systems to administer the levy. This means that the absolute earliest a VL scheme can come into effect is Spring 2026.

3.9 A proposed timeline for Aberdeen (subject to consultation and approvals) to introduce a visitor levy on **1 January 2027**:

Time	Action
July–Sept 2024	Prepare (in consultation) and publicise outline report for consultation subject to committee approval of report
Nov 2024–Feb 2025	Consultation process
Mar–April 2025	Public report to Committee on consultation and proposed reporting and benefits realisation
May–June 2025	Committee to agree/abandon visitor levy, Governance (including forum nominations, and reporting)
July 2025	Notice given to Scottish Ministers that the visitor levy would come into effect on 1 January 2027
Aug 2025 – Feb 2026	Establish a Visitor Levy Forum
Aug 2025 – Dec 2026	Accommodation providers obtain the necessary systems to administer the levy

Visitor Levy Forum

3.10 A local authority operating a VL scheme must by no later than 6 months after the date of its decision to introduce a VL scheme, establish a Visitor Levy forum for the scheme. The Visitor Levy forum must be maintained for the duration of the scheme, meet at least two times a year and discuss and advise the authority and any other person or body consulting the forum on matters having to do with the VL scheme including the use of net proceeds of the VL scheme.

3.11 The local authority appoints the membership of the forum and must ensure that the membership of the Visitor Levy forum includes such persons as the

authority considers to be representative of communities, businesses engaged in tourism and tourist organisations in its area.

Use of net proceeds of the scheme

- 3.12 The contents of the Bill represent potentially significant revenue-raising powers for Local Government, with local authorities able to allocate additional investment to services and facilities based on local needs and circumstances, to the mutual benefit of residents, overnight visitors, and stakeholders associated with the local visitor economy. The collected funds will be directed towards various initiatives aimed at promoting Aberdeen as a tourist destination. This includes destination promotion and marketing, specific marketing campaigns, support for international and national events, cultural development, and the development of new tourism infrastructure.
- 3.13 A local authority operating a VL scheme must use the net proceeds of the scheme for the purposes of facilitating the achievement of the scheme's objectives as set out in outlining the VL scheme.
- 3.14 In using the net proceeds of the VL scheme, a local authority must from time to time, consult representatives of communities, businesses and organisations engaged in tourism in its area including the Visitor Levy forum.

Post-Implementation Monitoring and Evaluation

- 3.15 The policy intention is that it is transparent to all concerned what amount of money has been collected under a visitor levy scheme; how those funds have been used; and how a scheme has performed against the objectives set out for it. The Bill therefore requires a local authority to publish a report setting out this information within 18 months of a scheme being introduced, and then every 12 months.
- 3.16 The Bill requires a local authority operating a VL scheme to review the scheme every three years.

Ongoing work

- 3.17 Council officers are engaging with officials in the Scottish Government, SLAED and in other local authorities to ensure we are fully informed of further developments.
- 3.18 Work remains ongoing in the development of a national digital platform to be shared by local authorities who are planning to introduce local Visitor Levy schemes. COSLA officers have been working closely with the Digital Office and Improvement Service in the development of this platform.
- 3.19 COSLA officers have also been involved in the drafting of statutory guidance, as part of the Visitor Levy Expert Group. Chaired by Visit Scotland, this Group contains Local Government representation from SOLACE, Directors of Finance, the IRRV and officers from City of Edinburgh Council. This guidance

was tested with a wider selection of Local Government representatives on Tuesday 18 June prior to expected finalisation in July 2024.

- 3.20 The Council hasn't carried out a audit of all available rooms in the City in recent years. The Council will carry out a new survey as part of this process to ensure we have the best data to inform estimates for revenues and for monitoring.

Visitor Levies Elsewhere

- 3.21 In the UK, as of April 1st 2023 Manchester became the first city to enact a tourism levy on visitors of £1 a night per room in the city centre. The new tax is being implemented to fund a business improvement district group to 'improve the visitor experience' to Manchester city centre and 'support the growth of the visitor economy' during the next five years.
- 3.22 In Scotland, Aberdeen, Edinburgh and Highland (Skye) have expressed an interest in introducing a tourism levy. The City of Edinburgh Council already approved plans in 2022 for a levy of £2 per person per night. Elsewhere in the UK, in recent years Birmingham, Bath, Liverpool and London have all expressed an interest while the Welsh Government is considering introducing one.
- 3.23 Many European cities and a number of global cities have tourism levies which are levied via the hotel sector. These include Paris, Berlin, Vancouver, New York, Barcelona, Amsterdam and Rome. Levies in these countries are typically a devolved issue so tend to be set and administered locally by the relevant municipal authority.

Consultations to Date

- 3.24 The Scottish Government held a consultation on the Bill provisions in September 2023 and Aberdeen City Council submitted a response. Most local authorities who responded were in favour of the Bill and welcome the flexibilities which would allow councils to implement a levy if they so choose. Business organisations and larger accommodation providers were less enthusiastic. Before the Bill was announced by the Scottish Government, the Scottish Tourism Alliance (STA) was consistent in its opposition to plans for the introduction of a levy or tax on visitors to Scotland. Indeed, the STA's submission acknowledges that the introduction of a visitor levy remains contentious for the tourism and hospitality sector, with a significant proportion of the business community still strongly opposed to its introduction. Accepting that the Bill has now been introduced, the STA's submission focusses on ensuring money raised through any levy is used to support and grow the country's valuable tourism asset while arguing that the burden of collecting the levy is kept to a minimum for businesses. Over two-thirds of accommodation providers were opposed to the Bill.
- 3.25 Aberdeen City Council launched a two-part public consultation to inform Elected Members to set the 2024/25 Budget and future spending plans. Included in this was a specific question regarding implementing a tourism levy. There were 2,654 respondents to the consultation exercise. 54% of respondents to the

consultation chose to not implement the levy as currently set, with 46% deciding to indicate that at least some levy should be considered.

Strategic fit: Regional Economic Strategy

- 3.26 The VL scheme supports the ambitions and targets in the Regional Economic Strategy and also the Regional Destination Strategy. The 2023 Regional Economic Strategy ambition is to be widely recognised as a leading Scotland destination by 2035 delivering high quality visitor experiences.
- 3.27 Within the Culture Identity theme the ambition is to support development and attract international events and festivals in the Events 365 Plan and support and invest in arts and cultural sector. Targets include significantly increasing the proportion of people participating in a cultural activity in the last 12 months, visitor numbers and the numbers visiting visitor attractions by 2029.

Strategic fit: Council health-centred prevention approach

- 3.28 In February 2024 Council agreed the Target Operating Model 1.2 which included a renewed focus on a health-centred approach as an important element of our prevention agenda. Specifically, this includes aligning Council strategic priorities with the social determinants of health.
- 3.29 The social determinants of health are the non-medical factors that influence people’s health outcomes and are described as ‘the causes of the causes’ (Marmot, 2006). They are the conditions in which people are born, grow, work, live, and age, and the wider set of forces and systems shaping daily life.
- 3.30 The proceeds from a visitor levy would support this agenda by stimulating tourism which supports jobs in the sector and across the wider economy. The proceeds could also be spent on initiatives to support tourism including development of green spaces, active travel routes and the attraction of events to Aberdeen. These are important in supporting physical and mental health including fostering community cohesion, participation in culture and supporting the local environment.

4. FINANCIAL IMPLICATIONS

- 4.1 The Scottish Government published estimates in its consultation in 2023 of the size of costs to local authorities and businesses to administer the scheme. They have consulted with local authorities and from officials involved in administering these internationally and have identified the following costs:

	Cost Type	Amount
Implementation Costs to the Local Authority	Consultation costs	£10k-£20k
	Set Up Costs (one-off)	£100k-£460k
	Administration Costs	£145k-£245k per annum
Implementation Costs per Business	Set Up Costs (one-off)	£150-£7,000
	Administration Costs	£200-£850 per annum

4.2 These figures are extremely broad brush, are based partly on the experience of international tourist destinations and consequently the costs may be very different for Aberdeen. The development of the ongoing national digital platform work may reduce these costs and should provide more information on their likely scale for Aberdeen. We will continue to pursue this further and come back with more concrete estimates for Aberdeen in advance of any decision to introduce a VL scheme.

Financial Benefits: Visitor Levy Revenues

4.3 Costar UK Limited, a commercial property company, provides data on occupancy rates, average daily room rates and the total number of rooms. Using this data, in 2023, a 1.5% levy on the occupied rooms would have generated around **£1.6m per annum** in gross revenue in the Aberdeen City Council area (before administration costs).

4.4 Noting the fiscal challenges facing public services and the sector, this could provide, this could provide much needed investment to services and facilities to the benefit of residents, overnight visitors, and stakeholders associated with the local visitor economy.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Levy Impacts further the recovery of fragile hospitality sector	We will consult with stakeholders on the rate any levy should be set at with a view to not setting excessive costs on overnight tourists. The revenue stream will be used to invest in tourism infrastructure to attract more tourists in the	Low	Yes

		future which would otherwise be at risk.		
Compliance	Accommodation Providers don't pay the levy	The Council employs an administration of the levy team that monitors, verifies and enforces the payment of the levy.	Low	Yes
Operational	Resources to set up and administer the levy increase	The Council will do a resource assessment of what is required to implement and enforce a levy for Aberdeen, The results from the ongoing national digital platform work may reduce these costs and provide more information on their likely scale.	Low	Yes
Financial	Tourism services may not continue if projected income from external venues is not realised and/or there is a further reduction to both Council staffing and budgets resources.	A ring-fenced budget to support tourism in this way mitigates this risk.	Low	Yes
Reputational	Failure to deliver tourism related services could damage Aberdeen and ACC reputation	A ring-fenced revenue stream will mitigate this risk.	Low	Yes
Environment / Climate	N/A			

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	<p>The proposals within this report support the delivery of the following aspects of the policy statement:-</p> <ul style="list-style-type: none"> • Delivery of Support delivery of and attraction of new Events, • Aim to make Aberdeen a premier destination for festivals, productions, conferences, bands and events
<u>Local Outcome Improvement Plan</u>	

Prosperous Economy Stretch Outcomes	The proposals within this report support the delivery of LOIP Stretch Outcome 1 and 2 – No one will suffer due to poverty by 2026 and 400 unemployed Aberdeen City residents supported into Fair Work by 2026. The paper seeks approval to consult on the introduction of a visitor levy scheme to provide a ringfenced funding stream to support tourism services in the city. This will provide employment opportunities for people in the sector and stimulate the Aberdeen economy by attracting tourists to the city.
Prosperous Place Stretch Outcomes	The proposals within this report support the delivery of LOIP Stretch Outcome 14 and 15 – Increase sustainable travel: 38% of people walking and 5% of people cycling as main mode of travel by 2026 and Addressing the nature crisis by protecting/ managing 26% of Aberdeen’s area for nature by 2026. The paper seeks approval to consult on the introduction of a visitor levy scheme to provide a ringfenced funding stream to support tourism services in the city. This could include active travel services and policies protecting green areas.
Regional and City Strategies	<p>The proposals support the economic and environmental objectives of the Regional Economic Strategy to diversify the economy increasing the share of the economy from the region’s growth sectors including tourism, maintaining a healthy, sustainable, working age population through increasing economic participation rates and reducing emissions and protecting the natural capital of the region. They also the objectives of the Regional Transport Strategy and Regional Transport Strategy.</p> <p>It supports the Net Zero Routemap for the City and the Council’s Medium Term Financial Strategy.</p> <p>The proposals would ensure wider engagement with stakeholders ensuring that the ambitions within the Regional Destination Strategy can be supported</p>

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	<p>An IIA was completed for the Visitor Levy as part of the 2024/25 Budget setting process, this is referenced below in background papers. An updated IIA will be completed for the Scheme Proposal and Consultation.</p> <p>I confirm this has been discussed and agreed with Julie Wood, Chief Officer, City Regeneration and Development on 01 July 2024</p>
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

- 10.1 Visitor Levy (Scotland) Bill (as passed 28 May 2024)
- 10.2 COSLA Visitor Levy Update 21 June 2024 for Environment and Economy Board
- 10.3 Introduction of a Tourism Levy after 2026/27 for Aberdeen City Stage 1 Integrated Impact Assessment (for public consultation to inform Elected Members to set the 2024/25 Budget and future spending plans)
- 10.4 Visitor Levy (Scotland) Bill Spice Briefing 04 September 2023

11. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Coventry
Title	Economic Adviser
Email Address	JCoventry@Aberdeencity.gov.uk