

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	12 February 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Visitor Levy
REPORT NUMBER	CR&E/25/028
DIRECTOR	Gale Beattie
CHIEF OFFICER	Julie Wood
REPORT AUTHOR	Jamie Coventry
TERMS OF REFERENCE	2.1.2, 3.2, 3.4

1. PURPOSE OF REPORT

- 1.1 This report outlines the proposal for introducing a Visitor Levy in Aberdeen. Aberdeen City Council is considering utilising the powers granted by the Visitor Levy (Scotland) Act 2024 to impose a levy in respect of persons staying in certain types of accommodation overnight in its local authority area.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 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 with a visitor levy;
- 2.2 Note the absolute earliest proposed date that Aberdeen City Council could introduce a visitor levy is 01 April 2027;
- 2.3 Note the sector's key stakeholders (referenced in section 3.21 of this report) that have co-designed the outline proposal;
- 2.4 Approve the Aberdeen visitor levy scheme outline proposal (A Visitor Levy for Aberdeen - Proposal for Consultation) in the Appendix hereto; and
- 2.5 Instruct the Chief Officer - City Development and Regeneration to proceed with wider consultation and its subsequent evaluation and report back to the Finance and Resources Committee on the consultation, and seeking a decision on how to proceed, on 6 August 2025.

3. CURRENT SITUATION

- 3.1 The Visitor Levy (Scotland) Bill, introduced on 24 May 2023, was passed on 28 May 2024 becoming the Visitor Levy (Scotland) Act 2024 ("the Act"). 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 Act is to enable councils to invest more in local tourism facilities and services that benefit visitors and residents.

- 3.2 At Finance and Resources Committee on 07th August 2024, the Chief Officer - City Development and Regeneration was instructed to develop the Visitor Levy scheme proposal with key stakeholders and report back to Finance and Resources Committee with plans for wider consultation. This provides details of this.

Implementing a Visitor Levy Scheme

- 3.3 The Visitor Levy (Scotland) Act 2024 also sets out some general principles and requirements for councils that choose to apply a visitor levy. Before a local authority can introduce a visitor levy 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 Act 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, states its intention to proceed and gives 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 Act requires it to notify the Scottish Ministers of its decision and to publicise that it is introducing a visitor levy scheme with the proposed date on which it is to come into effect.

Implementation Timeline

- 3.4 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.
- 3.5 A proposed timeline for Aberdeen (subject to consultation, approvals and Scottish Government digital platform to administer the levy being in place) to introduce a visitor levy on **1 April 2027**:

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

Proposal Details

- 3.6 The proposal is based on the Visitor Levy (Scotland) Act 2024, which allows local authorities to introduce a levy, details the potential levy structure, charges, objectives, how the net proceeds could be used, the monitoring arrangements and the governance arrangements for managing the levy.

Levy Start Date

- 3.7 The absolute earliest a visitor levy scheme can come into effect in Aberdeen is 01 April 2027. This milestone is subject to consultation feedback, lessons learned from elsewhere and national feedback, which may require us to add in additional tasks.

Levy Rate

- 3.8 The Act stipulates that the levy is expressed as a percentage rate. The levy will be at 7% and will apply year round which would produce a levy of around £5 per night on an average room of £70 a night. The levy will be the same across the entire Aberdeen local authority area. This corresponds to a levy of £9 a night on an average room of £180 a night in the Edinburgh visitor levy proposal which is proposing a 5% levy rate.
- 3.9 Accommodation providers within the local authority area will be liable for the levy. They will be required to submit regular reports, detailing the total accommodation charges and the total levy collected to a national online visitor levy portal. The levy will be payable at the same time as submitting returns.
- 3.10 Accommodation providers are required to keep accurate records of all transactions that are subject to the levy. The Council will conduct inspections, as required, to ensure compliance with the scheme and remittance requirements. Accommodation providers who fail to comply may be subject to penalties.

Applicability

- 3.11 The levy will apply to all overnight accommodation, including those with an annual turnover under the VAT threshold, within Aberdeen City Council's area.

3.12 The Visitor Levy is payable by anyone staying in accommodation which is not their only or usual place of residence (temporary or otherwise). Individuals from the below categories are not required to pay the levy:

- Those who are homeless or at risk of homelessness,
- Those whose residence is unfit for habitation;
- Asylum seekers and refugees;
- Members of the Gypsy/Traveller communities staying on dedicated sites;
- Individuals residing in cruise ships and motor homes; and
- Individuals who reside in overnight accommodation who are in receipt of benefits, payments or allowances for a disability.

3.13 An additional exemption from the levy is proposed for individuals travelling to Aberdeen for medical appointments, accompanied by a companion.

Scheme Objective

3.14 The overarching aim of the Scheme is to ensure that Aberdeen is a leading visitor destination by supporting the ongoing, sustainable growth of the city's visitor economy.

Use of funds

3.15 The Visitor Levy (Scotland) Act 2024 stipulates that the net proceeds of a visitor levy must be spent on facilitating the achievement of the scheme's objectives and "developing, supporting and sustaining facilities and services which are substantially for or used by persons visiting [overnight] for leisure or business purposes (or both)".

3.16 After administration costs, it is proposed from the stakeholder group that the remaining funds will then be split into the following investment streams:

- Economic Growth and Competitive Edge (63%)
- Destination Marketing and Development (18%)
- Destination Readiness and Improvement (13%)
- Reserve Fund (5%)

3.17 More detail of each of the objectives and these investment streams can be found in the Appendix.

Monitoring and Evaluation

3.18 Within six months of giving notice to Ministers that a local authority plans to introduce a visitor levy, the Council needs to establish a Visitor Levy forum to discuss and advise on the visitor levy scheme, including the review and modifications to the scheme. The Forum will also be consulted on how the visitor levy funds will be spent. 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.

- 3.19 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 Act 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. The Act requires a local authority operating a visitor levy scheme to review the scheme every three years.

Proposal Consultation

- 3.20 The Act 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. It is recommended that the consultation is open for at least 12 weeks.
- 3.21 Officers have developed this proposal in tandem with a range of key stakeholders including representatives from VisitAberdeenshire, P&J Live, VisitScotland and the Aberdeen City and Shire Hotels Association.
- 3.22 Edinburgh and Highland local authorities have carried out online consultations. If instructed to do so, officers will develop an online consultation with reference to these for stakeholders to contribute their views.
- 3.23 The proposal consultation will enable stakeholders to share their views on the proposed scheme, and the results will be used to refine the proposal and move towards a decision on whether to proceed with implementation. The final decision will be made by Aberdeen City Council, with the option to adjust the scheme following the consultation feedback.

Strategic fit: Regional Economic Strategy

- 3.24 The visitor levy 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.
- 3.25 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

- 3.26 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.
- 3.27 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.

- 3.28 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

Administration Costs to Aberdeen City Council

- 4.1 An online platform is being developed by the Scottish Government's Improvement Service for levy collection and its enforcement. Key features of the platform:
- A single platform for all local authorities, where accommodation providers will only need to register their properties once.
 - Integrated with NDR (Non-Domestic Rates) and Council Tax for validation.
 - The platform can vary rates by geography and time to reflect local conditions.
 - It records payments and sends enforcement emails to ensure compliance.
 - The Improvement Service will provide dedicated customer service support to both businesses and local authorities.
 - The platform will be jointly owned by IS for all local authorities and is designed to support a range of future capabilities, including a **cruise ship levy** module.
 - **Penalty modules** to ensure compliance.
 - The ability to monitor and track key data such as **rates** and **occupancy** by accommodation type, identifying any outliers and ensuring overall compliance with the levy
- 4.2 Development of the platform began in **October 2024**, with the full roll-out expected in **March 2026**. This is at least a full year before any scheme would come into effect in Aberdeen. Administration costs of this platform are included in the Appendix.

Net Visitor Levy Revenues

- 4.3 An accommodation audit of accommodation providers was carried out for Aberdeen in December 2024. Using this audit and occupancy rate and room rate assumptions from survey data including CoStar UK Limited, Scottish Government Occupancy Survey and Scottish Accommodation Survey and estimates of administration costs net revenues (after administration costs to Aberdeen City Council and costs recovery to accommodation providers) have been forecast at various levy rates. These are forecast to be £4.8m per annum at a 5% levy rate, £6.8m per annum at a 7% levy rate and £9.7m per annum at a 10% levy rate.

4.4 Noting the fiscal challenges facing public services and the sector, 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 visitors. The revenue stream will be used to invest in and enhance elements of the visitor economy to attract more overnight stays in the future	Low	Yes
Compliance	Accommodation providers don't pay the levy	The Council provides an administration of the levy function that monitors, verifies and enforces the payment of the levy.	Low	Yes
Operational	Resources to set up and administer the levy increase	The ongoing national digital platform work may have provided estimates of these costs which will be reviewed. The Council will do a resource assessment of what additional resource requirements are required to monitor and enforce a levy for Aberdeen.	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 from a visitor levy 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 the visitor economy of 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	An IIA has been completed.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

- 10.1 Visitor Levy (Scotland) Act 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
- 10.5 Aberdeen F&R Committee Report CR&E/24/225, 07 August 2024

11. APPENDICES

- 11.1 A Visitor Levy for Aberdeen - Proposal for Consultation

12. REPORT AUTHOR CONTACT DETAILS

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