

REPORT TO: East Lothian Council

MEETING DATE: 29 October 2024

BY: Executive Director for Place

SUBJECT: Development of a Visitor Levy Proposal

1 PURPOSE

- 1.1 To seek approval for the development of a Visitor Levy Proposal for East Lothian.

2 RECOMMENDATIONS

- 2.1 That Members note the Visitor Levy (Scotland) Act 2024 (the Act) was passed by the Scottish Parliament in May 2024, and received Royal Assent in July 2024. The Act gives local authorities in Scotland the power to introduce a Levy that is charged on the purchase of overnight accommodation at a percentage rate. It will be for each local authority to decide, through consultation, whether or not to introduce a Visitor Levy Scheme.
- 2.2 That Council agree that a proposal for an East Lothian Visitor Levy Scheme should be developed and in doing so engage with businesses and other key stakeholders regarding the proposed objectives and operation of such a scheme.
- 2.3 That Members note developed proposals would be brought back for review and further approval prior to full public consultation, and thereafter will be reviewed and presented to Council for a decision regarding implementation.

3 BACKGROUND

- 3.1 Visitor levies or tourist taxes in various forms are common across Europe and around the world. Just under two-thirds of EU member states charge some kind of accommodation occupancy tax.
- 3.2 The customer is responsible for paying these types of taxes, while the accommodation facility is responsible for collecting and remitting them.
- 3.3 Tourist taxes are primarily in place to improve the local or regional visitor economy and/or develop the destination offering, for example via promotional activities, project delivery, or improvements to infrastructure and public services.

- 3.4 In Scotland, the Act requires a local authority operating a Visitor Levy Scheme to use the net proceeds for certain specified purposes – i.e. funds must facilitate the achievement of a scheme’s objectives and that they should be used to develop, support and sustain facilities and services for or used by visitors to a local authority area for leisure or business purposes.
- 3.5 This places parameters within which funding can be used, whilst recognising the importance of local decision-making by local authorities. Services that are used by residents as well as visitors could receive funding from a Visitor Levy, depending on the authority’s assessment of whether they are substantially used by visitors.
- 3.6 Each local authority will determine many of the elements of a scheme such as the percentage rate and the area where it applies.
- 3.7 A number of Scottish local authorities are developing proposals for Visitor Levy Schemes, including Edinburgh who are currently consulting on their [Draft Scheme](#).
- 3.8 COSLA have taken the view that the Visitor Levy represents a key development for Local Government, handing power back to communities, and providing local decision-makers with the power to raise revenue independently of the Scottish Government in a manner that directly responds to local needs and circumstances.
- 3.9 VisitScotland states that “the visitor levy adds an important dimension to the sector’s vision of being a world leader in 21st century tourism ... With the levy, local authorities now have the power to generate revenue specifically for the benefit of the visitor economy. If developed collaboratively between local authorities and businesses, a visitor levy scheme represents a unique and significant opportunity to deliver ... annual investment in the sector.”
- 3.10 The Association of Scottish Self Caterers’ Chief Executive has stated “Ensuring that monies raised are ringfenced for tourist infrastructure projects is vital to retaining industry confidence. Fair rates, thoughtful implementation, as well as careful attention to potential unintended consequences are also essential. Failure to take these steps could result in a tourism levy that erodes the very industry it is supposedly intended to support” (The Times 11/10/2024).
- 3.11 Definition of Overnight Accommodation
- 3.12 Under the Act, overnight accommodation is a room or area that is used by a visitor for residential purposes but is not their only or usual place of residence - it therefore does not apply to accommodation that is being used as someone’s only or usual place of residence.
- 3.13 The types of accommodation included within scope of the legislation are:
 - i. Hotels
 - ii. Hostels
 - iii. Guest houses
 - iv. Bed and Breakfast accommodation
 - v. Self-catering accommodation
 - vi. Camping sites

- vii. Caravan parks
- viii. Accommodation in a vehicle, or on board a vessel, which is permanently or predominantly situated in one place
- ix. 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.

3.14 Statutory Guidance

3.15 VisitScotland have developed the statutory guidance for local authorities in collaboration with the tourism industry, local authorities, and government, details can be found here [Visitor Levy Guidance](#). The weblink also provides guidance and FAQs for businesses.

3.16 National Consultation

3.17 At its August 2023 meeting, East Lothian Council agreed a [submission](#) to the Scottish Government's Visitor Levy Consultation. That response acknowledged the potential benefits of developing a Levy Proposal for East Lothian as well as some of the issues that would need to be considered when developing finalising the legislation.

3.18 During the passage of the Bill, ELC Officers were asked to provide input at the committee stage, and afterwards to the development of the Guidance. Further information on the various stages of the Bill can be found [here](#) and the collated responses to the consultation [here](#).

3.19 Timeline

3.20 An indicative timeline for the development of a Visitor Levy Scheme is included within the [Guidance](#) (Page 9), setting out a process of 2.5- 3 years to develop and implement a Levy. In an East Lothian context the three stages would be:

Stage 1 - Engagement, development, and modelling (est. 12 months, Nov 2024 – Oct 2025)

Stage 2 - Consultation (statutory min 12 weeks, Nov 2025 – Spring 2026)

Stage 3 - Implementation (statutory min 18 months from Spring 2026)

The actual timeline for development will be reviewed and updated during Stage 1 of the project.

3.21 Stage 1 – Engagement, Development, and Modelling

3.22 At this time, Members are being asked to approve Stage 1 of the development process. It is expected that this will take a maximum of 12 months to complete in order to bring a completed draft Levy proposal to Council for approval prior to full consultation in the winter of 2025.

3.23 *Engagement* – In order that a robust and well understood Levy proposal can be brought forward, early engagement with local businesses, communities, and other stakeholders is important. This will also ensure that modelling of a Levy proposal, including any impacts or costs that may be borne by businesses are well understood, see page 16 of the Guidance.

3.24 *Development* – Development of a Levy proposal must include:

- a. An outline of the proposed scheme;
 - b. A statement about the objectives of the proposals, including how the authority intends to measure, and report on the achievement of those objectives;
 - c. An assessment of the impacts of the proposal in the authority's area; and
 - d. A statement about the cases or circumstances where a Visitor Levy will not be payable or may be reimbursed, a scheme outline, scheme objectives, and the impact of the scheme. See page 21 of the Guidance.
- 3.25 *Modelling* – forecasting the potential revenue from a Visitor Levy is an important process to help understand the viability of introducing a Levy, including being able to estimate the size of the expected receipts from specific types of accommodation providers.
- 3.26 Also important is assessing the impact the introduction of a proposed Levy at a given % rate may have on the price competitiveness of the visitor economy and local accommodation providers.
- 3.27 One-off and ongoing costs must also be accurately forecast, including the cost of developing a Levy proposal to completion, the ongoing costs associated with management, collection and enforcement, and the cost of administering national and local exemptions, see page 13 of the Guidance.
- 3.28 Survey of East Lothian Businesses
- 3.29 55 businesses took part in a snapshot survey in September/October 2024. Local businesses active in the visitor economy were asked questions regarding the new legislation, including to what degree they were supportive of it and what concerns they had about its introduction.
- 3.30 A wide range of types of business took part in the survey. Just over half (58%) were accommodation businesses, largely self-catering operators (72%), but also a range of other types of accommodation including hotels (18%), B&B/guesthouses (12%), a holiday park, caravan parks, and camping and glamping providers. The Council's contractor has provided an initial summary of themes.
- 3.31 The 47% of businesses who supported the legislation mentioned:
- Opportunities for investment in tourism and infrastructure, including Improved sustainable management of tourism
 - Enhanced visitor experience
 - Economic growth and investment
 - Alignment with international standards of investment
 - A need for fair and transparent implementation
- 3.32 The concerns raised by the 49% of businesses included who did not support included:
- Complexity and financial burden on businesses and visitors
 - A negative message and perceived unfairness to visitors
 - Competitive disadvantage and risk of reduced tourism demand
 - Impact on business viability
 - Need for transparency, clear benefits, and assurance

3.33 Survey of Visitors to East Lothian

- 3.34 The Council's regular visitor survey is currently ongoing, with completion due in early 2025. The survey includes questions relating to the Visitor Levy legislation. All online survey responses relating to the Levy legislation have been analysed, note the final survey result will include a larger dataset.
- 3.35 62% of visitors stated that they supported the introduction of this type of visitor Levy, 39% were in opposition, and 6% did not know. When asked if they would support a Levy if the money raised was "specifically ring fenced to only be spent on improving services, infrastructure, and facilities which benefit tourists visiting East Lothian", levels of support increased to 76% (163 respondents).
- 3.36 Most visitors stated that the implementation of a Levy would make no difference to their decision to visit East Lothian again in the future (68%) and 15% didn't know. 14% stated that they would be less likely to visit while 3% would be more likely to visit (265 respondents).
- 3.37 Reasons given by the respondents who stated that the introduction of a Levy would make them more likely to visit included:
- Expectation of improved services in the area and a general feeling of support for investment
- 3.38 Reasons given by those who indicated they would be less likely to visit included:
- Perceptions of high existing costs, including inflation and high travel costs
 - Availability of alternative destinations without a Levy
 - Scepticism over fund use and whether real improvement would be seen
 - Negative past experiences with tourism taxes elsewhere, especially regarding transparency
- 3.39 It should be noted that both surveys are part of limited pre-engagement and fact finding in relation to the legislation specifically and to help inform the Council in relation to the question of whether to develop a proposal for consultation. Both surveys have demonstrated some support for the legislation and for an East Lothian Levy, but more usefully have highlighted concerns from businesses and visitors that will inform development and future detailed engagement with all stakeholders.

4 POLICY IMPLICATIONS

- 4.1 Adoption of a Visitor Levy would result in the collection of a local tax based on the occupancy of visitor accommodation in East Lothian. Visitor Levy proposals will be developed and reported to Council in line with the indicative timeline noted in Section 3.19.
- 4.2 Approval of a Visitor Levy Proposal by Council in October 2025 would be followed by a 12-week (minimum) public consultation period prior to a final decision by Council in relation to implementation.
- 4.3 Following a decision to implement a Visitor Levy Scheme there is a statutory 18-month implementation period before the first date a Levy would be chargeable.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy. Developed Levy proposals would be subject to an assessment.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – an East Lothian Visitor Levy may raise significant annual revenue for reinvestment in the local economy and in support of public services as outlined above. The modelling noted in Section 3.25 will help establish the potential.
- 6.1.2 Development of proposals requires a staff resource as well as funding for research and other costs. Funds within the Transformation Reserve will be made available to support development of a proposal if the recommendations are agreed by Council. Implementation costs are as follows: £92,000 for Stage 1 (as outlined in Section 3.21-3.27), which will include the development of budget costs for subsequent stages.
- 6.1.3 Implementation of a Levy would require a resource to manage collection, exemptions, and enforcement. These administrative costs can be deducted from the gross Levy collected. Establishing these costs will be included in the development of proposals. A subscription-based national collection and management system is being developed by the Improvement Service, which is expected to reduce the development cost of individual local Levy schemes whilst making it more straight forward for businesses across Scotland to remit Levy funds to individual local authorities through a single portal.
- 6.2 Personnel – staff resources will be required to develop and administer a Levy, see notes above.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 ELC response to the Visitor Levy (Scotland) Bill Consultation 2023 [LINK](#)
- 7.2 VisitScotland Visitor Levy Guidance [LINK](#)
- 7.3 Visitor Levy (Scotland) Act 2024 [LINK](#)
- 7.4 Edinburgh Council Visitor Levy Proposed Scheme [LINK](#)

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