



REPORT TO: MORAY COUNCIL ON 19 FEBRUARY 2025

SUBJECT: LOCAL VISITOR LEVY INTRODUCTION STAGE 1

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

1. REASON FOR REPORT

- 1.1 To inform Council that the Visitor Levy (Scotland) Act 2024 was passed by the Scottish Parliament in May 2024 with Royal Assent on 5 July 2024; and to seek approval to start developing a Moray Visitor Levy Scheme in line with the recommendations.
- 1.2 This report is submitted to Council 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 the Council:

- (i) notes the provisions of the Visitor Levy (Scotland) Act 2024 and the requirements for implementing a Visitor Levy (VL);**
- (ii) approves the initiation of Stage 1 of the development process (forecasting, pre-consultation, preparation of draft outline proposal and Moray Tourism Strategy);**
- (iii) approves the formation of a joint Member and cross-departmental Officer working group to manage the VL development process; and**
- (iv) agrees to allocate £15,000 to commission specialist expertise to support the development process**

3. BACKGROUND

- 3.1 The Visitor Levy (Scotland) Act 2024, enacted in July 2024, empowers local authorities to apply a levy on overnight accommodation. It is critical to note that the Act requires a local authority operating a VL scheme to use the net proceeds of a scheme for certain specified purposes. Those purposes are that the funds must facilitate the achievement of a scheme's objectives and that they should develop, support and sustain facilities and services for, or

used by visitors to a local authority area for leisure or business purposes. The aim of the levy is to provide local authorities with additional funds to support tourism infrastructure, environmental sustainability, and the local economy, especially in areas heavily impacted by tourism. The revenue can be used to fund 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. This has the potential for Council revenue savings to be made whilst also enhancing our tourism offer and benefiting residents. Local authorities can set the levy as a percentage of accommodation costs, allowing revenue flexibility based on occupancy and pricing. Motor Homes and Cruise Ships are outwith the scope of the Act and therefore not currently liable to pay a VL charge despite their associated impact. Local authorities can set out additional exemptions where the levy is not payable or can be reimbursed however this could prove to be cumbersome and more complex to administer.

- 3.2 At a meeting on 27 September 2023, the Council agreed to support in principle the concept of raising funds through a VL (para 13 of the minute refers). The introduction of a VL scheme in Moray has the potential to generate multi-year funding to develop, support and sustain tourism related infrastructure and facilities. A VL scheme could sustainably fund local infrastructure and improve visitor experiences. With considered planning, the levy can support the local economy through economic growth, improve the visitor experience, and support sustainable tourism.
- 3.3 However, it may also face opposition from accommodation providers and visitors concerned about higher costs, in addition to the recent increases to the cost of doing business. Businesses may include administration and remittance costs within the overall charge which will raise market costs and visitors may choose areas which have not introduced a levy. Other regions are proposing to provide support to businesses and although not a statutory requirement, VisitScotland considers this may result in higher levels of compliance, a reduction in potential disputes and a more efficient VL scheme overall. The impact of a visitor levy scheme will require to be assessed, monitored and reviewed to ensure it benefits tourism and supports the local economy without adverse effects. This monitoring could include tracking tourism numbers. It is important that Council has resources to deliver a robust consultation exercise on the proposal and to ascertain viability before deciding whether to introduce it. During pre-consultation, Argyll and Bute Council faced significant push back from the industry, with mistrust of the Council and negative comments dominating the feedback. Similarly in Highland, negativity from the industry is at the forefront of the current consultation. Responding appropriately can be resource intensive.
- 3.4 [Edinburgh City Council](#) was the first to propose introduction of a VL at a rate of 5% and whilst this is forecast to generate £100 million by 2030 for the city, the same percentage in Moray is likely to generate an estimated annual return of around £950,000 (based on STEAM Tourism Economic Impacts 2022 Report and the tourism trends research undertaken for Moray Speyside Tourism by Global Tourism Solutions (UK) Ltd. 2021, there is £19.03M spent annually on local accommodation in Moray). [Argyll and Bute Council](#) agreed that the draft Argyll and Bute Visitor Levy Scheme would go out to a formal

12-week consultation in early January 2025 at a Special Council meeting on 20 December 2024 with a maximum of 4% levy. [Highland Council](#) went live with its 12-week consultation period on its draft Highland Visitor Levy Scheme on Friday, 15 November 2024 further to approval at the Council's Economy and Infrastructure Committee on 14 November and is consulting on a 5% levy. It is therefore considered that the benchmark of maximum 5% has been set and any increase on this will attract negative criticism.

- 3.5 Visit Moray Speyside are currently preparing to undertake a renewal ballot for a new 5-year term of operation and are looking to develop an updated Moray Tourism Strategy in partnership with Highlands and Islands Enterprise (HIE). An ambitious 5-10 year Tourism Strategy is also a key requirement to underpin the objectives of a Visitor Levy scheme, which should be informed by ambitions for the region and align with Visit Scotland's Outlook 2030. It is important that a cohesive approach to tourism in the region is taken, and duplication of strategies is avoided for reasons of best value. Therefore, UK Shared Prosperity Funding of £15,000 has been allocated by the Moray Economic Partnership towards developing a new Moray Tourism Strategy. Visit Moray Speyside will contribute £2,000 and it is expected that HIE will be able to support the strategy via their specialist contractor framework. Other related local, regional and national strategies directly linked to the visitor economy will be referenced e.g. [Moray's Routes](#) (strategic development plan approved by VisitScotland for long distance path development) and the draft [Moray Forestry and Woodland Strategy](#) (Moray Council in partnership with Scottish Forestry and Highlands and Islands Enterprise).
- 3.6 Forecasting of revenue from a Visitor Levy is an important part of the process to help understand the viability of introducing a scheme. It is acknowledged that at the outset, the quality of information and business intelligence available to local authorities for forecasting purposes may be of variable quality, with many assumptions in the data, as well as external variables such as fluctuations in occupancy rates, dynamic pricing and unforeseen events. VisitScotland recognises that it can be difficult to obtain information on occupancy rates and recommends a mix of approaches to enable the most accurate information to be gathered. VisitScotland can assist with the provision of some data, albeit this may not be driven down to a regional level.
- 3.7 Clear guidance for Local Authorities on introducing a VL including statutory and non-statutory requirements has been produced by the Expert Group, led by VisitScotland and can be seen in the background paper links. Additional support from VisitScotland is available to help with forecasting, consultation and engagement with the industry. It is important to note that whilst other schemes are already in place outside Scotland, each scheme is tailored to the area it applies to making each scheme different.

4.0 KEY PROVISIONS OF THE ACT

- 4.1 Levy Structure: The VL must be charged as a percentage of the cost of accommodation only, allowing adaptability to market fluctuations. Seasonal rates and exemptions are permitted.

Proposal: Local authorities must prepare and publicise an outline of the proposed scheme, a statement about the objectives of the proposal, including how the authority intends to measure and report on the achievement of those objectives, an assessment of the impacts of the proposal in the authority's area, and a statement about the cases or circumstances where a visitor levy will not be payable or may be reimbursed.

Tourism Strategy: Local Authorities must draw a clear link to the objectives of its local tourism strategy and other related local, regional and national strategies when developing their VL proposal, clearly setting out how the use of the funds will develop, support and sustain the local visitor economy.

Revenue Allocation: Funds generated by the levy (expected to around £950,00 per annum) must be allocated to projects supporting tourism infrastructure and environmental improvements.

Implementation Timeline: An 18-month notification period is required, following council decision to implement a VL, making 2027 the earliest feasible implementation year for Moray.

Visitor Levy Forum: A Forum must be established by the local authority no later than six months after the date of the decision to introduce a VL scheme.

Reporting: For every 12-month period the Council will have to prepare a report which must cover: the amount of money collected; how the net proceeds have been used and the performance of a scheme in relation to its objectives. There will also be a requirement to review a VL scheme within 3 years of one coming into force and ongoing within 3 years of the previous review.

Administration: The administrative costs to a local authority of a VL scheme can be taken from the funds raised by a scheme.

4.2 **Requirements prior to implementing a VL**

The development process is time consuming and in addition to having dedicated staffing resource from within the Economic Growth and Regeneration Team (estimated to be 0.6 FTE Grade 9), it will also require dedicated, specialist tourism expertise that is not available within Council to underpin what the levy will deliver in line with need, to consult with stakeholders, to carry out impact studies and to design a levy proposal aligned with regional goals and objectives. In addition, it is recommended that the following short-life working groups are established to guide the development process and monitor progress:

- Cross-departmental officer working group
- Joint Member and cross-departmental officer working group
- Key stakeholder working group/shadow forum (statutory requirement within 6 months of decision to implement a levy)

Proposed Terms of reference for the Joint Member and cross-departmental officer working group (Visitor Levy Working Group) have been added as **Appendix 2**. The Visitor Levy Working Group will be structured to reflect the council's existing practices for working groups and will provide oversight,

guidance, and coordination in developing the potential for a Visitor Levy Scheme for Moray. The Group will focus on ensuring the levy's alignment with the council's strategic objectives, including sustainable tourism, economic growth, and community benefits.

4.3 Proposed stages for establishing a Visitor Levy are:

STAGE 1 – Develop the Outline Proposal based on:

1. Accurate Forecasting
2. Early Engagement/Pre-consultation feedback
3. Tourism Strategy (presented for approval at committee meeting and via Community Planning Partnership)
4. Council feedback on draft (presented at committee meeting)

STAGE 2 – Introduction of VL

5. Consultation on proposed Visitor Levy Scheme (12 weeks)
6. Implementation – minimum of 18 months (as set out in the legislation)
7. Visitor Levy Scheme comes into force

4.4 Indicative timelines for introducing a Visitor Levy are:

Action	Start	Earliest Completion
Stage 1 (6-12 months)	January 2025	September 2025
Stage 2 (12 weeks consultation)	October 2025	January 2026
Stage 3 (18 months to implement)	February 2026	July 2027
VL comes into force	August 2027	

4.5 Detailed timeline is included as **Appendix 1**

5 **SUMMARY OF IMPLICATIONS**

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

The project will contribute to achieving the corporate plan priority to build thriving, resilient, empowered communities through ensuring investment in the infrastructure that supports tourism and the LOIP priority of a growing and sustainable economy.

(b) **Policy and Legal**

This proposal is in accordance with the Visitor Levy (Scotland) Act 2024. 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**

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. Based on this figure and a levy of 5%, it is estimated that a VL in Moray could

potentially generate an annual revenue of around £950,000 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. All revenues generated in Moray will be spent in Moray. Costs for set up and administration will be required but although the up-front set-up and decision-making costs will need to be financed within existing local authority budgets; it should be borne in mind that these costs could be offset against future revenues raised through a VL scheme. The VL would only progress if it was expected to generate a net return and at this stage that is the assumption given the potential income. Income and expenditure estimates will be refined if/when VL proceeds through its various stages.

For Stage 1 in the development process, it is estimated that at least £15,000 will be required from Transformation Reserve in 24/25 to secure specialist expertise to develop the information and carry out the pre-consultation required to move to Stage 2. Sector feedback and financial viability will be tested during Stage 1 and if considered favourable, a further £15,000 from Transformation Reserve will be sought via committee approval in 25/26 to proceed with the 12-week consultation.

The administration cost is unknown at this stage and currently the Improvement Service is developing a new collection system which may provide a fixed cost for all; however, this approach may be more beneficial to larger councils.

If Moray Council chose to administer the scheme the financial implications would include:

- 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

Council Project Management methodology is being followed, and a Project Mandate (additional meeting document) has been prepared.

The Act requires that local authorities:

- a. keep a separate account for a VL scheme
- b. credit the account with the net amount of money received under a VL scheme (including penalties) minus refunds issued
- c. debit the account with the expenses of operating a scheme
- d. observe any other accounting guidance that may relate to the levy e.g. Local Authority Scotland Accounts Advisory Committee (LASAAC) accounting guidance or similar.

(d) Risk Implications

The following points are considered to present risk:

- Implementing a VL scheme in Moray could raise accommodation costs for visitors, affecting tourism patterns and visitor choices. It is important that visitors are consulted.
- A benchmark of 5% has been set by Edinburgh City Council and any increase on this rate could be rejected by stakeholders during consultation, or indeed by Scottish Ministers. It is important that the percentage rate is consulted on.
- If not introduced there is a risk that Moray's tourism offer, and associated infrastructure will suffer in future years given the ongoing financial constraints facing the Council. It is important that all income generating avenues are explored.
- Budgetary constraints may impact on staffing resource available to support development of a VL. It is important that existing levels are maintained if VL is to be progressed.
- There is a risk that Council Officers will face negative feedback if involved in the consultation process. It is important that the use of consultants is supported for this complex process.
- There is a risk if Ministers consider that the statutory elements of the process have not been followed, the process will need to start from the beginning of the timeline again. It is important that sufficient time and resource is allowed for the development process.

(e) Staffing Implications

Support for the development process (anticipated 0.6 FTE Grade 9) can be accommodated within the existing resources of the Economic Growth and Regeneration Team if current staffing levels are maintained, and existing workload is rebalanced across the team. However, it is important to note that Highland Council has employed a permanent Visitor Levy Portfolio Manager (1 FTE Grade 10) due to the complexity and associated level of responsibility. Without this level of dedicated resource to oversee and manage the scheme in Moray, there will be reliance on external consultancy support due to the specialist nature of the work.

The extent of any administrative and staffing burden originating from the introduction of VL is unknown at this time due to the uncertainty about the way any VL scheme will 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 (background paper), is a requirement for 3-5 full-time equivalent members of administrative staff however implementing the new national system could lessen this requirement. It is estimated that this cost could be recouped from the income generated however viability would be tested at Stage 1 based on detailed forecasting.

(f) Property

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

(g) Equalities/Socio Economic Impact

The Act does not place specific equality duties on a local authority in relation to a VL scheme. However, as public bodies there are requirements related to equalities that will impact on a local authority as it develops, introduces, and administers a VL scheme and an Equality Assessment will therefore be required as part of Stage 1.

(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), Strategic Planning and Development Manager, the Head of Economic Growth and Development, the Legal Services Manager, the Equal Opportunities Officer, the Head of Financial Services, Taxation Manager and the Democratic Services Manager have been consulted and comments received have been incorporated into the report.

6. CONCLUSION

6.1 The establishment of a Visitor Levy (VL) in Moray represents a strategic opportunity to strengthen the region's tourism infrastructure and sustainability while promoting economic growth. It offers Moray Council a reliable funding source at a time of financial uncertainty to invest in tourism infrastructure and support the long-term viability of its visitor economy, benefiting both residents and visitors alike.

6.2 The intensive development process depends on member support, sufficient resource in terms of available staffing and additional funds to cover the external expertise required. Without this capacity, introduction of a Moray VL will not be possible.

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Background Papers: [Visitor Levy \(Scotland\) Act 2024](#)
[Financial Memorandum](#)

[Visitor Levy Guidance](#)
[27 September 2023 Committee Report](#)

Appendix 1 Detailed Timeline
Appendix 2 Visitor Levy Working Group Terms of
Reference
Project Mandate (additional meeting document)

Ref: