Wales Tourism Alliance
Cynghrair Twristiaeth Cymru
Communication - Consultation - Collaboration

Evidence to Local Government re Local Government Finance (Wales) Bill: Draft Budget 2024/25.

The Wales Tourism Alliance offered written evidence to Welsh Government in response to its consultation on changes to local taxation, primarily council tax. The consultation stated that "the purpose would not be to raise additional revenue (overall) through this exercise".

WTA expressed some scepticism that this would be possible, and that some local authority areas would, indeed, be able to raise more. **We wondered how this would affect their RSG settlements.**

This reflected existing concerns that higher council tax receipts as a consequence of the changes to the Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 (the 182-day rule) would not necessarily be of overall benefit to those councils. While framed as a deterrent to second homes, the policy was also being seen as a source of additional income, something which became explicit by the time the Explanatory Memorandum was published. As of now, it is unclear whether this will have negative consequences for RSG settlements for those councils in 2024/25 if they have raised more in council tax. **In short, will they receive less in their RSGs to 'compensate' for the greater income they receive back as their council tax element?**

Similarly, we see a growing number of local authorities which are keen to introduce higher council tax *premium*s for second homes (which, as a result of the 182-day rule now includes a proportion of professional holiday lets) for the same reason.

In particular, it is unclear whether these new sources of income will affect the **Enhanced Population Multiplier,** part of the funding formula which provides additional money, within the RSG, to recognise the effect of visitors on specific services (also used by residents) such as street cleansing, maintenance and waste collection. Although not generous, it is an important element of the RSG in council areas which receive an impactful number of visitors.

As of today, we do not know how much additional council tax will have been raised in 2023/24 as a result of these policies, hence our questions below and possible effects on the RSG.

In summary, as the draft budget appears to prioritise local government alongside health, we would be keen to understand

(a) Whether changes to local taxation will be tweaking decisions under the funding formula in any way, and whether the financial consequences can be identified in DELs in the draft budget

(b) In particular, how additional taxation income (or equivalent sum), acquired through tourism activity but managed through the usual formula process, might affect councils RSGs, and how that would be measured. This will be important information for local authorities where tourism makes up a significant part of the local economy as it will be a factor in deciding whether they opt for a visitor levy, ie if they can't keep/get back all the money, will it be worth their while collecting it? And if they do keep it, will their RSG reduce as a result?

While this submission may seem to be focused on a forward look on the effects of a specific policy, the groundwork is being laid now. The question of "what is fair taxation" may lie with another Committee. However, because we argue that tourism businesses (not just accommodation) have been asked - and will be asked - to shoulder additional fiscal burden in a short period of time, it matters to our members that **their extra contribution is not disadvantaging the councils who are supposed to benefit from it.**

The question of whether this draft budget indicates a small cultural shift from dependence on central to local fundraising is likely to be of interest to other contributors to the local tax take as well as local authorities themselves. It is of particular interest to tourism providers as policy messages are being crafted in a way that suggest that tourism will be the beneficiary of additional investment by councils. We are not convinced that this will happen if RSG funds are negatively affected.

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Wales Tourism Alliance is also a signatory to a letter from the Wales Retail Consortium which asks for the 75% business rates relief for tourism and hospitality announced in the UK budget to be matched here in Wales. Without rehearsing the arguments again, we would ask you to note that the tourism industry including that part of hospitality which can be characterised as a tourism sector, are particularly vulnerable at the moment.

While all tourism businesses are feeling the effect of global challenges, aggressive marketing of overseas destinations and high VAT rates, in Wales we have the additional challenges of Wales-only policy which make it more difficult to keep businesses viable. We have much lower investment from Welsh Government in promoting tourism, facilitating tourism support and directly helping businesses than other parts of the UK in direct competition with Wales. This presents a particular jeopardy to an industry dependent on discretionary spend.

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The lack of investment by Visit Wales is not a reflection on Visit Wales itself. If they had the resources and access to external finance that Visit Scotland had, we would see their work be transformational. Visit Scotland will receive £47m cut this year, itself a cut of almost 11%. Its primary tourism support organisation (Scottish Tourism Alliance) also has a turnover, with external funding, of £500k; this is very different from the picture in Wales! Visit Wales, by comparison, will likely receive a revenue cut of 14% taking it to £9.2m and retaining capital allocation of £5m. While this does not include staff costs, it is worth remembering that, *nineteen years ago* (2005), in its last year of operation, the Wales Tourist Board was receiving £22.6m.

For an industry which supports between 180,000 and 206,000 jobs (depending in which stats you look at), brings the equivalent of a 7th of the Welsh Government's budget into the economy (it was a 6th before covid) and provides at least 5% of our GVA, we ask the Committee to consider whether reducing the Visit Wales budget in this way will disproportionately affect the effectiveness of Visit Wales in an already competitive environment.

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On the ongoing question of transparency, identifying the tourism budget and tracking spend still proves difficult, although the BEL out-turn figures are a useful look back. The 2021/22 tables show how Visit Wales struggled with the longer-term effects of the budget 'restructure' during covid, with 10% higher outturn than planned for. While not alone, this is evidence of an already fragile budget line and we ask the Committee to consider recommending that that the tourism allocation in the 2024/25 budget is re-examined.

Thank you

Wales Tourism Alliance

13th December 2023

(Incidentally, we couldn't find tourism in this Senedd diagram either. https://research.senedd.wales/financial-scrutiny/welsh-government-draft-budget-2024-25/interactive-diagram-to-explore-the-2024-25-welsh-government-draft-budget)