

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 4 JUNE 2024

CONSIDERATION OF THE INTRODUCTION OF A LOCAL VISITOR LEVY

REPORT BY ALISON SMITH, DIRECTOR OF VIBRANT COMMUNITIES & SUSTAINABLE GROWTH

1. ABSTRACT

This report provides an overview of the current stage of the Visitor Levy (Scotland) Bill through Parliament. It seeks agreement for officers to undertake engagement with key stakeholders on the potential for and outline of a proposed scheme and assess the resource implications for the Council. A further report would be presented to Committee on the potential detail of any proposed and outlining the resource implications.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

The proposed introduction of a local visitor levy contributes to the following priorities within the Council Plan.

Caring for the Economy

- Support businesses to grow and invest in Angus Council

Caring for our Place

- Coordinate activity and develop a vision for our places, through relevant plans and strategies.
- Maintain our roads, pavements, lighting, and other infrastructure efficiently and focus our resources on our priority route and infrastructure.
- Engage with our communities to support their ambitions to deliver on local aspirations through a place framework.

3. RECOMMENDATIONS

It is recommended that the Committee: -

- (i) Note the current progress of the Visitor Levy (Scotland) Bill;
- (ii) Note that at this stage the Committee is not being asked to make any formal decision to introduce a visitor levy;
- (iii) Instruct officers to undertake engagement with key stakeholders on the potential for, and outline of, a proposed scheme and assess the resource implications for the Council; and
- (iv) Instruct the Director of Vibrant Communities and Sustainable Growth to bring forward a further report on the results of the engagement, detail of any proposed scheme and assessment of the resource implications for the Council

4. BACKGROUND

- 4.1 Tourism is an important sector and provides a significant contribution to the Scotland and Angus economy. Within Angus tourism contributes £259M to the economy and sustains 3,612 full time equivalent (FTE) jobs¹. The national tourism strategy “Scotland Outlook 2030: Responsible Tourism for a Sustainable Future” recognises the significance of tourism to the economy in Scotland.

¹ 2022 Data

- 4.2 Transient Visitor Levies are commonplace within many European high volume tourism destinations. Over the years there has been much discussion about the potential introduction of a local visitor level in Scotland, leading to a number of research studies being undertaken and roundtable discussions between the Scottish Government, CoSLA and the Scottish Tourism Alliance and further stakeholder workshops. A formal consultation on the principles of a local discretionary transient visitor levy or tourist tax was undertaken from September to December 2019. A response to agree the Council's response was considered by the Policy and Resources Committee on 26 September 2019 ([Report 398/19 refers](#)).
- 4.3 The Visitor Levy (Scotland) Bill (SP Bill 28) was introduced in the Scottish Parliament on 24 May 2023 and is currently at Stage 3 of the Parliamentary process where MSPs can propose further "amendments" and will debate and vote on whether to pass the Bill. Royal Assent is usually given 4 weeks after completion of Stage 3, though this can be longer dependent on the time of year.
- 4.4 The Bill proposes at least an 18 month period after the date of a local authority's decision to introduce a scheme therefore it is anticipated that should the Bill progress through the final stages the earliest a visitor levy could be applied in Scotland would be 2026.
- 4.5 A visitor levy, as is proposed in the draft legislation, is a type of fee or tax that is charged on overnight stays of 1 night or more in some types of accommodation (e.g. hotels, self-catering, bed and breakfast, camping sites, caravan parks, boat moorings or any other place offered for residential purposes other than a visitor's only or usual place of residence). This means that a certain amount of money would be paid to the local authority every time someone stayed overnight in accommodation like a hotel, bed and breakfast or holiday accommodation. Funding secured through the levy would be ringfenced for the purpose of developing, supporting and sustaining facilities and services which are substantially for, or used by, those visiting a local authority's area for leisure purposes. CoSLA has emphasised that the levy is not a replacement for existing funding but will provide additionality if the circumstances are right.
- 4.6 The introduction of a levy is discretionary and each local authority can determine if they want to introduce a charge and what the level of charge should be, however this must be a percentage rate of the cost of an overnight stay rather than a flat charge. There is flexibility to only apply the charge at certain times of the year or only within certain areas of Angus and different rates could be set for different purposes (e.g., events).

5. CURRENT POSITION

- 5.1 Based on the Scottish Tourism Economic Activity Monitor (STEAM) in 2022 it is estimated that a visitor levy for Angus based on overnight stays could generate an annual gross revenue income of £336,900 based on a 1% levy and £1,010,700 based on a 3% levy. The level of net revenue income after deducting the costs of administering the levy would be somewhat less than the gross estimates. The STEAM figures are considered a fairly accurate (within 10%) estimate of the direct visitor accommodation revenue in Angus. We might expect some fluctuations as a result of dropping out of the market due to the introduction of short term lets but also additions to the market as a result of the same short term lets process. Notwithstanding this it should be noted that the significant majority of revenue in Angus will be generated by hotels of which there are currently only four.
- 5.2 The levy itself is applied to the cost of any accommodation element (deducting any commission element). For example, if an overnight stay cost £120, minus booking fee of £20 and the percentage rate was 2% then the levy collected would be £2. It is anticipated this would be itemised separately on any invoice and publicised separately.
- 5.3 The levy would be collected quarterly, or other such period specified, by local authorities from accommodation providers. Administration of this would be with the local authority and kept in a separate account.
- 5.4 The net proceeds from the levy must be used to facilitate the scheme's objectives which should be consulted upon as part of the development of the scheme. These should also align with any local tourism strategy if one is in place. Stakeholders are likely to be more supportive of the introduction of a levy if they are closely involved in helping to shape how funds are used.
- 5.5 As outlined above proceeds should be used to develop, support and sustain facilities and services substantially for or used by persons visiting the local authority's area for leisure purposes. Funding could support:

- Improvements to or development of tourism facilities such as additional signage, refuse collection points, investment restoration and maintenance of local attractions.
- Support to local information services, events and festivals, wifi services and additional recreation facilities.
- Improvements in service that are both used by local and tourists – for example the roads network, public transport and cleanliness.

6. PROPOSALS

Prior consultation on a scheme

- 6.1 The Bill proposes a number of requirements prior to introducing any visitor levy scheme. Should the Council wish to progress with the introduction of a visitor levy then it would require to prepare and publicise an outline of the proposed scheme, plus a statement of objectives and assessment of the impact of proposals in the area. An extensive consultation exercise must also be undertaken with representatives of communities, tourism organisations, businesses engaged in tourism and other persons likely to be affected. The impact assessment should consider the likely effects of a proposal on persons living within the scheme area and others likely to be affected by the proposal (e.g., accommodation providers).
- 6.2 The above requirements must be undertaken prior to the introduction of any scheme and therefore officers are asking members to approve that engagement be undertaken with stakeholders on the potential for and outline of a proposed scheme and assess the resource implications for the Council. A further report would then be presented to Committee on the options and detail of any proposed scheme for prior consultation and the resource implications for the Council. At this stage members may wish to agree approval in principle or not.
- 6.3 Early engagement at this stage will provide an opportunity to work closely with stakeholders to develop options for how a proposed scheme might work in Angus in advance of the Bill becoming primary legislation. An expert panel has been setup by Scottish Government involving representatives from the tourism sector, Visit Scotland and local authorities to define and develop best practice and guidance. This once published will be useful in developing any formal proposals.

Introduction of a scheme

- 6.4 The prior consultation arrangements (Section 12(c) of the Visitor Levy (Scotland) Bill) also requires that a report be publicised which summarises the consultation responses received and states whether or not the authority intends to proceed with the proposal (or the proposal as modified in light of the consultation) and sets out the authority's reasons for whether or not it intends to proceed. It is at this point that the Council would consider whether to formally introduce a visitor levy scheme or not.
- 6.5 The scheme itself requires to provide detail on the area(s) covered, proposed duration, percentage rate or rates, arrangement for the review of decisions, any exemptions and how decisions will be made on the use of the net proceeds of the scheme.
- 6.6 If a decision is taken to introduce a scheme, then formal publication and notification to ministers is required. A period of 18 months is required between the introduction of any scheme and it coming into force.

7. FINANCIAL IMPLICATIONS

- 7.1 The costs arising from officers undertaking early engagement with key stakeholders on the potential for and outline of a proposed scheme and assessing the resource implications for the Council will be mainly in staff time and will be contained within existing revenue budgets.
- 7.2 A local visitor levy in Angus could potentially generate an annual revenue to invest in local tourism related infrastructure, facilities and services helping to attract more and improve the experience of visitors to Angus. It is important through additional assessment work that the balance of percentage rate applied against the level of funding secured is considered carefully and most importantly sustainable for business.
- 7.3 There are a number of cost and resource implications to develop, consult, set up, raise awareness and support for a proposed visitor levy scheme as well as undertake the required

impact assessment. It is likely that additional resource will be required to support key elements should Members wish to proceed to develop a scheme.

7.4 There would also be cost and resource implications for the ongoing administration of the visitor levy including consultation on the proposed use of the net proceeds, annual reporting, annual accounts, monitoring and enforcement. The Bill includes provision for expenses of operating the scheme to be met through the funds secured.

7.5 Businesses will be impacted with additional operational overheads for administering. These are likely to be added to overall charges raising market costs.

8. RISK MANAGEMENT

8.1 Members should consider how this sector and associated infrastructure, facilities and services will be funded in future years given the ongoing financial constraints facing the Council if a visitor levy is not progressed and the potential this could provide for match funding opportunities.

8.2 As a key priority sector in Angus tourism is extremely important and therefore members should give consideration to the potential additional funding could provide to enhance the offering in Angus. Equally visitors may choose to visit areas which have not introduced a levy. Officers will therefore liaise closely with neighbouring authorities and also investigate the potential introduction of a regional scheme.

9. ENVIRONMENTAL IMPLICATIONS

9.1 Tourism and the rural geography of Angus can cause carbon emission primarily through transport costs. The impacts of high tourist numbers can also place stress on vulnerable areas of nature. This is recognised through the National Tourism Strategy for Scotland, published in 2020 and also the work through the Angus Tourism Framework.

9.2 Revenue from a levy could focus on addressing these issues and help to further promote sustainable tourism and well as support business to reduction their carbon footprint.

10. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

10.1 A screening assessment has been undertaken and a full Equality Impact Assessment is not required for the following reason(s):

The proposal at this stage does not seek agreement on the introduction of local visitor levy and notes that a further report will be presented to committee for prior consultation. At this stage the proposal is therefore for information only and a full Equality Impact Assessment would be undertaken as part of the further report.

11. CONSULTATION

11.1 The Chief Executive, Director of Finance and the Director of Legal, Governance and Change were consulted in the preparation of this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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