



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Audit and Scrutiny Committee

A Special Meeting of the **Audit and Scrutiny Committee** of North Ayrshire Council will be held remotely on **Tuesday, 12 September 2023** at **11:00** to consider the undernoted business.

Meeting Arrangements - Fully Remote

This meeting will be held remotely in accordance with the provisions of the Local Government (Scotland) Act 2003. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>. In the event that live-streaming is not possible, a recording of the meeting will instead be available to view at this location.

1 **Declarations of Interest**

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

2 **Call In: B714 Upgrade**

Submit report by the Head of Service (Democratic) on a call-in request in respect of a decision taken by Cabinet on 29 August 2023 to (a) agree to the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission; and (b) approve the reallocation of Council funding, detailed at Appendix 1 to the report, to support the delivery of the project, subject to the approval of the Final Business Case (copy enclosed).

3 **Call In: Council Tax Multipliers – Scottish Government Consultation**

Submit report by the Head of Service (Democratic) on two call-in request in respect of a decision taken by Cabinet on 29 August 2023 in which, having noted the importance of recognising that this was a consultation response, and that decisions on Council Tax setting were made at full Council as part of the annual budget setting process and that no changes were being made to the Council Tax levels currently set, the Cabinet agreed to approve the Consultation response from North Ayrshire Council

included in Appendix 1 to the report, for submission to the Scottish Government by 20 September 2023 (copy enclosed).

4 Call In: Visitor Levy Consultation

Submit report by the Head of Service (Democratic) on a call-in request in respect of a decision taken by Cabinet on 29 August 2023 in which having welcomed the principle of having fiscal flexibility at a local level, irrespective of whether it was ultimately exercised, the Cabinet agreed (a) to authorise officers to respond to consultations on the Visitor Levy (Scotland) Bill as detailed in Appendix 1 to the report by expressing support for the introduction of a levy, subject to further exploration of costs and benefits; and (b) to note the formation of an internal Visitor Levy Officer Working Group which would engage with the Tourism Forum, businesses and regional stakeholders to inform any future emerging proposals related to the implementation of a visitor levy (copy enclosed).

Webcasting

Please note: this meeting may be filmed/recorded/live-streamed to the Council's internet site and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>, where it will be capable of repeated viewing. At the start of the meeting, the Provost/Chair will confirm if all or part of the meeting is being filmed/recorded/live-streamed.

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If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact dataprotectionofficer@north-ayrshire.gov.uk.

Audit and Scrutiny Committee Sederunt

John Bell (Chair)
Donald Reid (Vice Chair)
Eleanor Collier
Cameron Inglis
Tom Marshall
Matthew McLean
Davina McTiernan
Ian Murdoch
John Sweeney

Chair:

Apologies:

Attending:

NORTH AYRSHIRE COUNCIL

12 September 2023

Audit and Scrutiny Committee

Title: Call In: B714 Upgrade

Purpose: To allow the Committee to consider a call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023 to (a) agree to the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission; and (b) approve the reallocation of Council funding, detailed at Appendix 1 to the report, to support the delivery of the project, subject to the approval of the Final Business Case.

Recommendation: That the Committee considers the terms of the call-in and agrees, or otherwise, to make a recommendation to the Cabinet.

1. Executive Summary

- 1.1 In terms of the Scheme of Administration (Section 5), the Audit and Scrutiny Committee has a remit to consider call-in request and invite at least one of the Members who has requested the reference to call-in to attend the Committee to explain the request.
- 1.2 This report sets out the background to the call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023 in relation to the report on the B714 Upgrade which sought approval for the reallocation of funding to support project delivery.

2. Background

- 2.1 The Cabinet, at its meeting on 29 August 2023, considered a report on the B714 Upgrade.
- 2.2 A request was received in terms of the call-in procedure set out in the Council's Scheme of Administration and Standing Orders, that the Audit and Scrutiny Committee examine the decision taken by the Cabinet.
- 2.3 The call-in request, which was signed by Councillors McPhater, Kerr and McDonald is in the following terms:-

Reason for Call In

“Funding should not be cut from important investment in Community Wealth Building, town centre regeneration and economic development to deliver what is a reduced upgrade of the B714. Alternative funding sources should be identified.

Additionally, the B714 project is of major importance to North Ayrshire and our region’s future economic prospects. However, the Cabinet’s proposal removes the active travel elements from the initial project delivery, with no timeframe for future phases nor any guarantees that funding will be available for them. A Council that has declared a climate emergency, that has set an ambitious net zero target and has an administration that supposedly prioritises tackling climate change, shouldn’t be repeating the mistakes of the past and undertaking major road projects without investing in active travel infrastructure as part of that project.”

Desired Outcome

“The Council should utilise the money available from the PPP service concession as an alternative funding source.

A further report to be brought back to Cabinet outlining a concrete timetable and funding proposal for the delivery of the active travel elements in the project.”

- 2.4 A copy of the original report presented to Cabinet on 29 August 2023 is attached as Appendix 1 to the report. A briefing note has been provided by the Interim Head of Service (Economic Development and Regeneration) and is attached at Appendix 2.
- 2.5 The call-in request is valid for consideration by the Committee. The request was received within the appropriate timescale, it was signed by three Elected Members and details were provided on both the reason for the call-in and the desired outcome.
- 2.6 The Elected Members who have submitted the call-in will be invited to address the Committee to explain the call-in request. The appropriate Cabinet Member will then be invited to clarify the reasons for the decision. The relevant senior officer will also be present to provide information on the report presented to Cabinet and on issues raised by the call-ins received. The Committee will have an opportunity to ask questions of both parties and of those officers in attendance.
- 2.7 The Committee will then debate the call-in request and decide whether or not it agrees with the decision of the Cabinet.
- 2.8 The Audit and Scrutiny Committee therefore has to:-
 - i) decide if it agrees or not with the decision of the Cabinet; and
 - ii) consider what alternative action the Committee would recommend to the Cabinet if it does not agree with the decision.
- 2.9 When the matter is considered by the Cabinet, the Chairperson or another member of the Audit and Scrutiny Committee will have the right to attend the Cabinet and speak in support of any recommendation.

2.10 In the event the Cabinet declines to accept the recommendation from the Audit and Scrutiny Committee, the matter will be referred to Council for determination. The decision of the Council will be final.

3. Proposals

3.1 It is proposed that the Committee considers the call-in request.

4. Implications/Socio-economic Duty

Financial

4.1 The financial implications are outlined in the B714 Upgrade report attached at Appendix 1.

Human Resources

4.2 The human resource implications are outlined in the B714 Upgrade report attached at Appendix 1.

Legal

4.3 The legal implications are outlined in the B714 Upgrade report attached at Appendix 1.

Equality/Socio-economic

4.4 The equality/social-economic implications are outlined in the B714 Upgrade report attached at Appendix 1.

Climate Change and Carbon

4.5 The climate change and carbon implications are outlined in the B714 Upgrade report attached at Appendix 1.

Key Priorities

4.6 The key priorities are outlined in the B714 Upgrade report attached at Appendix 1.

Community Wealth Building

4.7 The community wealth building implications are outlined in the B714 Upgrade report attached at Appendix 1.

5. Consultation

5.1 No formal consultation has been undertaken at this stage.

Craig Hatton
Chief Executive

For further information please contact **Craig Stewart, Committee Services Officer**, on 01294 324130 or by email, craigstewart@north-ayrshire.gov.uk

Background Papers

N/A

NORTH AYRSHIRE COUNCIL

29 August 2023

Cabinet

Title: B714 Upgrade

Purpose: To update Cabinet on the progress of the B714 Upgrade and seek approval for the reallocation of funding to support project delivery.

Recommendation: That Cabinet:

- a) Notes the progress made to date on the project;
- b) Approves the reallocation of Council funding, detailed at Appendix One, to support the delivery of the project, subject to the approval of the Final Business Case; and
- c) Agrees to the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission.

1. Executive Summary

- 1.1 The upgrade of the B714 is a strategic transport priority of the Council. It aims to increase the potential for economic development and tourism by significantly improving connectivity to Glasgow, the Central Belt and wider motorway network. Cabinet approved the submission of an application for the project to the first round of the UK Government's Levelling Up Fund in June 2021.
- 1.2 The outcome of the application was confirmed in October 2021, providing a £23.7m funding award. Cabinet approved the acceptance of the award and the delivery of the project, subject to securing the necessary consents and permission in January 2022. This report provides an update on the progress made to date on the project, seeks approval for the reallocation of funding to support its delivery and seeks agreement for the submission of the Outline Business Case to UK Government.

2. Background

- 2.1 The UK Government's £4.8 billion Levelling Up Fund (LUF) aims to invest at least £800 million in Scotland, Wales and Northern Ireland. North Ayrshire was identified as a 'priority one' category authority given our socio-economic and connectivity challenges. The Fund focusses investment on projects funding across three themes: town centre and high street regeneration; local transport; projects and maintaining or explaining cultural and heritage assets.

- 2.2 Cabinet approved the submission of the B714 Upgrade on 15 June 2021 to Round One of the Fund as a key transport project. The application was submitted to UK Government on 18 June 2021 and the outcome received on 27 October 2021. This confirmed an award of £23.7m which equated to approximately 90% of the projected costs at the time of submission. This was match funded by a £3m allocation from the Council's Investment Fund providing the 10% balance required by the Fund.
- 2.3 The upgrade of the B714 will significantly improve connectivity between North Ayrshire and Glasgow, the Central Belt and wider motorway network. This will substantially increase the potential for tourism and economic development and provide enhanced links to the Arran and Cumbrae Ferry services. It will contribute to the repopulation of our islands and rural areas by providing improved access between the ferry terminals, mainland settlements, Glasgow, the central belt and wider motorway network. This will ensure that those living in our rural, remote and island communities are well connected and have equitable access to services as those living in the rest of Scotland. It will also divert a significant volume of traffic accessing the A78 away from Kilwinning as traffic will connect directly to the A78 via the new upgraded B714.
- 2.4 The Levelling Up Fund requires that a Full Business Case (FBC) be prepared and approved before larger transport schemes can formally commence and the full funding package is confirmed. The Department for Transport (DfT) has indicated that there is a possibility that the funding could be cancelled if Government policy changes or if the necessary legal permissions or match funding cannot be secured. To date the DfT has supported the project through the provision of Development Funding to enable the preparation of the Outline Business Case and design.
- 2.5 The B714 Project Team was formed comprising of representatives from Economic Development and Regeneration and Neighbourhood Services alongside the economic and design consultants. The Project Team has progressed the preparation of the OBC and design for submission to the DfT. Regular liaison has also been maintained and progress reporting undertaken with DfT during this period to meet the funding requirements. This has been overseen by the B714 Upgrade Project Board comprised of cross Service representatives and the Place Project Board.
- 2.6 Extensive consultation has been undertaken with landowners and a broad range of stakeholders during this period. This included a public consultation and exhibition in November and December 2022 on the preferred option. Detailed ground investigations and surveys including environmental and ecological surveys have also been undertaken with the landowners' approval. The feedback and information obtained from this process has informed the Business Case and design development.
- 2.7 Construction costs have substantially increased since the submission of the LUF application due to the impact of the pandemic and economic climate. This has resulted in increases in the projected costs. The Project Team has investigated several design and value engineering opportunities to deliver the project within the available £26.7m funding envelope. This has included consideration of measures which would also reduce the benefits proposed via the initial LUF submission. Any significant benefits reduction could however put the LUF funding offer at risk.
- 2.8 This process has now been exhausted. It is proposed that:

- The project be delivered across two phases with Phase One commencing at Girthill to the Hillend Roundabout with on-line improvements between Meiklelaught and Muirlaught.
- A roundabout be constructed to connect the upgraded road to the Hillend Roundabout.
- Phase Two between the Sharpill Roundabout and Muirlaught be delivered at a later date, subject to funding.
- The electric vehicle charging facilities and elements of the environmental enhancements be delivered through alternative funding sources.
- Active travel infrastructure and associated earthworks along the route be removed and delivered through alternative sources at future date.
- Localised active travel improvements within Dalry and Saltcoats be delivered through funding secured from Strathclyde Partnership for Transport's Capital programme and other external funding sources.

2.9 This has resulted in a cost estimate for the project of £31.7m, inclusive of contingency and inflation allocations, to support the submission of the business case. This is without a significant reduction in benefits as it contributes to the Levelling Up objectives by:

- Improving the resilience of and enhancing the most direct link between Glasgow and the Three Towns;
- Improving safety and contributing to accident reduction on the B714 through increased width and improved road alignment over the most sub-standard sections from Girthill to Hillend Roundabout and Meiklaught to Muirlaught; and
- Contributing to alleviating congestion and air quality related issues in Kilwinning.

2.10 This equates to an estimated £5m deficit based on the available £26.7m budget. The project will be subject to a tender process should the OBC be approved. The FBC would then revisit the OBC and record the findings of the tender process. Advice from the Council's consultant engineers and economic consultancy, recommends against any further reductions to the standard or length of the upgrade. This is due to the: reduction in benefits which could be derived from the project; the potential impact on the likelihood of securing LUF funding; and the impact on the programme and deliverability of the project within the funders' timescales.

2.11 The funding package for the project requires to be confirmed to allow the progress of both the Business Case through the formal DfT process and the Compulsory Purchase Order Process (CPO). A parallel landowner negotiation and CPO process is proposed to progress the land requirements for the project. This is to ensure that the land acquisition can be achieved, and the project delivered within the funding timescales. The preference will however be to negotiate and reach agreement with the landowners on the purchase of the land. A land agent and dedicated Solicitor with Legal Services were appointed and have supported landowner engagement to date. A report will be submitted to Council seeking approval for the CPO process.

2.12 Engagement with UK Government has concluded that additional funding will not be available via LUF to address the deficit. Transport Scotland has also confirmed that funding will not be forthcoming for the project. The reallocation of the Council funding outlined at Appendix One is therefore proposed to meet the £5m deficit. This proposes reallocating funding from other Council projects and sources to support the delivery of the B714 Upgrade including allocations under the Investment Fund.

Mitigation measures are identified for these projects. Officers would also continue to investigate potential sources of funding for the B714 and affected projects with a view to offsetting the financial contributions from these sources where possible.

2.13 The draft Outline Business Case (OBC) has been issued to DfT for initial feedback to inform the development of the final version. The approval of this reallocation will allow the formal submission of the OBC to the UK Government for approval, informed by feedback on the draft currently being reviewed by DfT and progress on the CPO process. A formal decision on the OBC will be received within a maximum 12 week period of its formal submission. This will determine whether the project can proceed to Full Business Case and construction. Further clarity is being sought from UK Government and DfT on the timescales for the delivery of Round One projects.

3. Proposals

3.1 That Cabinet:

- (a) Notes the progress made to date on the project;
- (b) Approves the reallocation of funding to support the delivery of the project, outlined at Appendix One, subject to the approval of the Final Business Case; and
- (c) Approves the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission.

4. Implications/Socio-economic Duty

Financial

4.1 The Department for Transport (DfT) has indicated that there is a possibility that the funding could be cancelled if Government policy changes or if the necessary legal permissions or match funding cannot be secured. The Council requires to provide 10% match funding for the initial £26.7m project. This will be met by the £3m Recovery and Renewal Fund capital allocation approved by Cabinet on 15 June 2021.

Discussions with UK Government and Scottish Government have concluded that additional funding will not be forthcoming for the project via the LUF or Transport Scotland budgets. It is proposed that the balance of the £5m deficit outlined at Section 2.10 be met by reallocating the funding outlined at Appendix One.

The DfT has provided 10% of the overall allocation as development funding from the to support the development of the project to Outline Business Case stage. This approach aims to provide 90% of the costs to this stage with the remaining 10% being met from the Council's capital allocation. This has assisted in managing the financial risk to the Council in developing the project.

Human Resources

4.2 The estimated cost of the staffing requirements for the project were included in the application and business case submitted. These have been refreshed in the updated estimates. This includes project management and legal staffing requirements to support the land acquisition process.

Legal

- 4.3 A parallel landowner negotiation and Compulsory Purchase Order (CPO) process is proposed to progress the land requirements for the B714 project. This is to ensure that the land acquisition can be achieved, and the project delivered within the funding timescales. This is proposed due to the length of the route, number of landowners and timescales for delivery. The preference will however be to negotiate and reach agreement with the landowners on the purchase of the land.

The estimated cost of the CPO process was included within the funding application and business case submitted. This has been refreshed in the updated estimates. Engagement with landowners is ongoing. Further engagement will be undertaken informed by the outcome of this report and the Business Case consideration by UK Government. A further report will be submitted to Council seeking approval for the CPO process.

Equality/Socio-economic

- 4.4 The project will assist in meeting our socio-economic duty as set out in the Fairer Scotland Duty. It seeks to reverse economic, social and physical decline and reduce socio-economic disadvantage. It aims to build community wealth and tackle local deprivation by improving connectivity to support economic development and the repopulation of our islands which will contribute to the regeneration of our communities.

Environmental and Sustainability

- 4.5 The project aligns with the Environmental Sustainability and Climate Change Strategy. The upgraded B714 project will also reduce the impact of transport on our communities, will see improved electric vehicle charging availability between the Three Towns and the Garnock Valley. In particular, it will reduce the volume of traffic travelling through Kilwinning past four schools, reducing pollution, congestion and the potential for accidents.

Key Priorities

- 4.6 The project will contribute to the four Council Plan priorities and key activities of: Ensuring our places and spaces where we live, work and visit are well maintained and accessible; Developing infrastructure to support business growth; Working with communities to adopt low carbon behaviour change; Transitioning to low and zero carbon travel; and Focusing our investment on priorities.

Community Wealth Building

- 4.7 The project will contribute to Community Wealth Building and will have a significant positive impact on the Council's ambitions under the following pillars.

Procurement: Local supply chain opportunities will be created through the project. For future procurement exercises related to the project, the EDR Business Development team will review opportunities for the North Ayrshire business base and provide supplier development support as required.

Fair Employment: The project will create employment opportunities particularly within the construction sector. Where North Ayrshire is the contractor for services, through our enhanced Community Benefits approach we will ensure the creation of local training and work experience opportunities. Furthermore, the upgrade of the B714 will provide enhanced connectivity to help those from rural areas access work.

Financial Power: The project will invest in localities and leverage external national investment into North Ayrshire.

5. Consultation

- 5.1 The project has been informed by the Regeneration Delivery Plan (RDP). The RDP sets out the Council's priorities for regeneration until 2026 and was the subject of extensive consultation including workshops with Council Officers; workshops with Elected Members; reports to and feedback from North Ayrshire Ventures Trust and the Community Wealth Building Expert Panel; and public engagement via Consul. It was also informed by the Locality Partnerships' priorities and previous public consultation exercises including Charettes.
- 5.2 The draft Outline Business Case and design has been informed by extensive consultation with Elected Members, landowners, communities, road users, transport providers, transport industry and community organisations. This included a public consultation and exhibition in November and December 2022. Further consultation and engagement will be undertaken to inform the development of the Final Business Case and detailed design.
- 5.3 Letters of support were received for the funding application from a range of sources including: the Rt Hon Patricia Gibson MP; Kenneth Gibson MSP; Jamie Greene MSP; and the Nuclear Decommissioning Authority.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Louise Kirk, Interim Head of Service – Economic Development and Regeneration**, on **01294 324766**.

Background Papers

Cabinet Report, Levelling Up Fund, 15 June 2021

Cabinet Report, Levelling Up Fund – Round 2, 2 November 2021


Cabinet Report, Levelling Up Fund B714 Upgrade, 25 January 2022

Appendix One: Funding Reallocation Proposals

The table below summarises proposals to reallocate capital allocations previously approved to support the delivery of economic development priorities to the B714 Upgrade project. This includes the reallocation of funds agreed under the Investment Fund and capital receipts projected from the sale of land and assets. The proposals have been developed through engagement with Finance.

Fund and background	Proposed approach and mitigation
Recovery and Renewal Fund	
Stimulating Start Up and Early Stage Business Growth (£1m). Agreed as part of the Renewal Investment allocations in June 2021 to stimulate start up and early stage business growth through the delivery of commercial space.	<ul style="list-style-type: none"> • Allocate £1m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Investment Fund	
Community Wealth Building – Communities and Town Centres (£1.2m allocation). Agreed as part of the original Investment Fund allocations in March 2020 to tackle vacant and derelict land and buildings in town centres through regeneration and economic development projects.	<ul style="list-style-type: none"> • Allocate the balance of £0.857m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Commercial Estate / Infrastructure / Town Centre Investment (£1.155m). Agreed as part of the original Investment Fund allocations by Council in March 2020 to invest in the commercial estate including improving the sustainability of assets.	<ul style="list-style-type: none"> • Allocate the balance of £0.988m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Existing Capital Resources	
Industrial Portfolio Council Commercial estate investment allocation (£1m). Balance of £0.430m currently remaining.	<ul style="list-style-type: none"> • Allocate the balance of £0.430m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Flexibility	<ul style="list-style-type: none"> • Allocate £0.377m to B714 Upgrade
Capital Receipts	
Uncommitted Capital Receipts: Anticipated capital receipts of £5.555m have been identified. Following the deduction of abnormal and other costs, a balance of £1.348m is now available for utilisation to support capital investment.	<ul style="list-style-type: none"> • Allocate £1.348m to B714 Upgrade.
Total reallocation	£5.0m

Appendix D

 <p>North Ayrshire Council Comhairle Siorrachd Àir a Tuath</p>	<p>Call In Request Form</p>
<p>We request in terms of paragraph 26.2 of the Standing Orders Relating to Meetings and Proceeding of the Council that the decision taken by the Cabinet be called in by the Audit and Scrutiny Committee.</p>	
<p>Names of Councillors Requesting Call In</p>	
<p>1. Louise McPhater</p>	
<p>2. Amanda Kerr</p>	
<p>3. Nairn McDonald</p>	
<p>Details of the Decision Taken By The Cabinet (Please specify the Minute reference)</p>	
<p>5. B714 Upgrade</p>	
<p>Reasons for Call In (Please specify your reasons for requesting that the Audit and Scrutiny Committee call in the decision)</p>	
<p>Funding should not be cut from important investment in Community Wealth Building, town centre regeneration and economic development to deliver what is a reduced upgrade of the B714. Alternative funding sources should be identified.</p> <p>General Comment: The upgrade of the B714 will contribute to Community Wealth Building, regeneration and economic development by:</p> <ul style="list-style-type: none"> • Increasing the potential for economic development and tourism through improved connectivity, increased resilience and enhancement of the most direct link to Glasgow and the Central Belt. • Enhancing links between the Garnock Valley and Three Towns settlements alongside improving road safety and contributing to accident reductions. • Alleviating congestion and air quality related issues in Kilwinning. • Improving connectivity to support individuals living in rural areas to access employment. • Improving access to the Arran and Cumbrae Ferry Services and contributing to tourism. • Creating local supply chain and employment opportunities through the construction phase. • Delivering community benefits through the construction phase including training and work experience opportunities. • Investing in localities and leveraging external national investment into North Ayrshire. <p>Potential external funding opportunities have been exhausted. Extensive engagement with UK Government has concluded that additional funding will not be available via the Levelling Up Fund (LUF) above the existing award. Transport Scotland has also</p>	

confirmed that funding will not be forthcoming for the project.

A funding application was submitted to Transport Scotland's competitive Active Travel Transformation Fund in January 2023. This requested £2.5M to support the LUF funds and cover the cost of the active travel route alongside the new B714 alignment. The application was however unsuccessful. Discussions were also held with Strathclyde Partnership for Transport (SPT) regarding the B714 Active Travel corridor. This resulted in a successful application being submitted to their Capital Programme for the connections to Dalry and Saltcoats from the B714. Designs were developed in 22/23 for both settlements and further design for Dalry links and construction of the Saltcoats links is planned for 23/24.

Due to the very limited capacity for the Council to borrow additional finance, an examination of existing Council resources was undertaken to identify areas of budget that could be redirected into this priority investment.

A range of mitigation measures were identified to reduce the impact of the reallocation of funding from these priorities. These included investigating the potential to resource the delivery priorities through future years place-based funding allocations and external funding applications. For example the Scottish Government has confirmed a further 2 years of the Place Based Investment Programme and further rounds of programmes such as the Regeneration Capital Grant Fund and Vacant and Derelict Land Investment Programme. The report also outlined that Officers would continue to investigate potential sources of funding for the B714 and affected projects with a view to offsetting the financial contributions from these sources where possible.

The estimated £5m deficit is a cost estimate for the project of £31.7m, inclusive of contingency and inflation allocations, to support the submission of the business case. The project will be subject to a tender process, should the Outline Business Case be approved.

Additionally, the B714 project is of major importance to North Ayrshire and our region's future economic prospects. However, the Cabinet's proposal removes the active travel elements from the initial project delivery, with no timeframe for future phases nor any guarantees that funding will be available for them. A Council that has declared a climate emergency, that has set an ambitious net zero target and has an administration that supposedly prioritises tackling climate change, shouldn't be repeating the mistakes of the past and undertaking major road projects without investing in active travel infrastructure as part of that project.

General Comment:

The report proposes that the active travel infrastructure be delivered using alternative resources at a future date. Funding applications were submitted to support its delivery in Phase One however these were unsuccessful. Officers will continue to investigate potential sources of funding however delivery would be subject to successful funding applications and securing the necessary permissions.

Whilst the active travel infrastructure adjacent to the upgraded B714 is proposed for delivery at a future date, enabling works to improve the connections within Dalry and Saltcoats are being progressed. Funding from SPT's Capital Programme is supporting the delivery of active travel connections in Dalry and Saltcoats. These will provide legible standalone routes and improve active travel within the towns, which will then connect to the active travel infrastructure adjacent to the B714 when constructed.

In Saltcoats this will create a link between the access to Sharphill Cottage and the Sharphill Roundabout, connecting to the existing path network. Construction is due to commence in late 2023. Amey, Transport Scotland's Trunk Road operating company has agreed to install a new toucan crossing at the Roundabout. This will provide an improved and more accessible crossing of the A78 to the B714 than the existing unsignalised arrangement. The timescale for the toucan's installation is currently being confirmed.

In Dalry this will link Lover's Walk to the new roundabout connection for the upgraded B714. Works are underway to upgrade Lover's Walk from Dalry Station to the River Garnock. Design work is ongoing for the remaining section alongside the Putyan Burn with a further application to be submitted to SPT's 24/25 Capital Programme for construction, subject to securing the necessary permissions.

Desired Outcome
(Please specify your desired outcome)

The Council should utilise the money available from the PPP service concession as an alternative funding source.

General Comment:

On the 15 February 2023 Council approved the use of Service Concession flexibility to help mitigate the significant cost pressures and resultant revenue budget gaps over the medium-term and to help address the impact of construction cost volatility as part of delivering the Council's ambitious Capital programme. This agreed that the use of this flexibility, including a retrospective sum of £21.546m, would be applied in a limited and controlled manner across several financial years and, critically, that this would run in parallel with more sustainable measures to reduce the cost base of the Council in line with available funding.

If funds are redirected from this area this will increase the level of financial risk to the Council in addressing the significant budget challenges over the medium term. To set this in context, when the 2023/24 budget was set back in March this indicated a projected budget gap of £16.773m for 2024/25. From which it was approved that £5m would be contributed from this reserve to help mitigate this position.

A further report to brought back to Cabinet outlining a concrete timetable and funding proposal for the delivery of the active travel elements in the project.

General Comment:

External and internal funding sources for the active travel elements adjacent to the upgraded B714 have been exhausted at this stage. Whilst these elements are proposed for a delivery at a future date, enabling works to improve the connections within Dalry and Saltcoats are being progressed utilising the available external funding. These will form beneficial connections within the settlements and will connect to the route adjacent to the B714 when delivered.

Funding opportunities continue to be investigated and pursued for the active travel elements adjacent to the B714. Annual allocations under the Scottish Government's Cycling Walking and Safer Routes programme are insufficient to fully meet the costs of the delivery but would offer a source of match funding for applications. Due to the substantial level of funding required it is noted that a multiple funder package is likely to be required.

Confirmation is awaited from Transport Scotland on the timescales for the next round of the Active Travel Transformation Fund and applications will be submitted to SPT's 2024/25 Capital Programme in October 2023. Opportunities through Sustrans Scotland's programmes are also being investigated. A report outlining a timetable and funding proposal would be subject to the above timescales and confirmation of funding awards.

This form must be received by the Chief Executive's Office not later than 12 noon on the fifth Clear Working Day following, and not counting, the day on which the Cabinet Minute was issued.

	Date	Time
Received by Chief Executive		
Received by Committee Services	04/09/23	10:54
Acknowledged	04/09/23	11:02

NORTH AYRSHIRE COUNCIL

12 September 2023

Audit and Scrutiny Committee

Title: **Call In: Council Tax Multipliers – Scottish Government Consultation**

Purpose: To allow the Committee to consider two call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023, in which, having noted the importance of recognising that this was a consultation response, and that decisions on Council Tax setting were made at full Council as part of the annual budget setting process and that no changes were being made to the Council Tax levels currently set, the Cabinet agreed to approve the Consultation response from North Ayrshire Council included in Appendix 1 to the report, for submission to the Scottish Government by 20 September 2023.

Recommendation: That the Committee considers the terms of the call-in request set out at Appendices 1A and 1B and agrees, or otherwise, to make a recommendation to the Cabinet.

1. Executive Summary

- 1.1 In terms of the Scheme of Administration (Section 5), the Audit and Scrutiny Committee has a remit to consider call-in request and invite at least one of the Members who has requested the reference to call-in to attend the Committee to explain the request.
- 1.2 This report sets out the background to two call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023 in relation to the report on a response to the Council Tax Multipliers – Scottish Government consultation.

2. Background

- 2.1 The Cabinet, at its meeting on 29 August 2023, considered a report and agreed a response to the Council Tax Multipliers consultation.
- 2.2 Two call-in request have been received in terms of the call-in procedure set out in the Council's Scheme of Administration and Standing Orders, that the Audit and Scrutiny Committee examine the decision taken by the Cabinet. These are presented (in the order received) at Appendices 1A and 1B:

Appendix 1A – Call-in request signed by Councillors McPhater, Kerr and McDonald

Appendix 1B – Call-in request signed by Councillors Billings, T. Ferguson and Stalker

- 2.3 A copy of the original report presented to Cabinet on 29 August 2023 is attached as Appendix 2 to the report. A briefing note has been provided by the Head of Service (Finance) and is attached at Appendix 3.
- 2.4 Both call-in requests are valid for consideration by the Committee. The requests were received within the appropriate timescale, signed by three Elected Members respectively and, in both cases, details were provided on both the reason for the call-in and the desired outcome.
- 2.5 The Elected Members who have submitted the call-in will be invited to address the Committee to explain the respective call-in requests. The appropriate Cabinet Member, will then be invited to clarify the reasons for the decision. The relevant senior officer will also be present to provide information on the report presented to Cabinet and on issues raised by the the call-ins received. The Committee will have an opportunity to ask questions of both parties and of those officers in attendance.
- 2.6 The Committee will then debate the call-in requests and decide whether or not it agrees with the decision of the Cabinet.
- 2.7 The Audit and Scrutiny Committee therefore has to:-
- i) decide if it agrees or not with the decision of the Cabinet; and
 - ii) consider what alternative action the Committee would recommend to the Cabinet if it does not agree with the decision.
- 2.8 When the matter is considered by the Cabinet, the Chairperson or another member of the Audit and Scrutiny Committee will have the right to attend the Cabinet and speak in support of any recommendation.
- 2.9 In the event the Cabinet declines to accept the recommendation from the Audit and Scrutiny Committee, the matter will be referred to Council for determination. The decision of the Council will be final.

3. Proposals

- 3.1 It is proposed that the Committee considers the call-in request set out at Appendices 1A and 1B.

4. Implications/Socio-economic Duty

Financial

- 4.1 The financial implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Human Resources

- 4.2 The human resource implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Legal

- 4.3 The legal implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Equality/Socio-economic

- 4.4 The equality/social-economic implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Climate Change and Carbon

- 4.5 The climate change and carbon implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Key Priorities

- 4.6 The key priorities are outlined in the are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 2.

Community Wealth Building

- 4.7 The community wealth building implications are outlined in the Council Tax Multipliers – Scottish Government consultation report attached at Appendix 1.

5. Consultation

- 5.1 No formal consultation has been undertaken at this stage.

Craig Hatton
Chief Executive

For further information please contact **Craig Stewart, Committee Services Officer**, on 01294 324130 or by email, craigstewart@north-ayrshire.gov.uk

Background Papers

N/A

Call In Request by Councillors McPhater, Kerr and McDonald

Reason for Call In

“In 2007, the SNP were elected on a manifesto to “scrap the unfair Council Tax”. 16 years later we still have Council Tax, and it is still based on historic property valuations.

Repeating the tinkering on the Council Tax formula for bands E-H, which was first implemented in 2017, does not repair local governments broken finances. The amount raised from the proposal amounts to less than 5% of our current council tax income.

Nor will tinkering with banding formulas make Council Tax fairer. It is a fundamentally regressive form of tax. The size of a property is not a good indicator of wealth or income, and the proposed changes will undoubtedly hit households who are on low incomes. For example, the changes will hit pensioners on a fixed income particularly hard, as well as young families struggling due to the cost-of-living crisis. The Council Tax Reduction is inadequate and will not address the full range of needs of those hit by these Council Tax rises.

Furthermore, without a full revaluation, these changes will exacerbate the inequity between new build properties and those recently valued with those older properties that have been improved or extended. This will make the system less fair.

We are living through the worst cost of living crisis in generations with massive rises in households’ energy bills, food costs, mortgages and rent. To hit a large number of households with large Council Tax increases at this time is deeply unfair.”

Desired Outcome

“The consultation response be amended to reflect these points and to oppose the proposal on these grounds.

As an alternative, the Council’s position should be to argue for reform of local taxation. This should include exploration of options such as, but not limited to, a full and thereafter regular revaluation of Council Tax, a replacement property tax, a local service tax, land value tax and a local income tax. North Ayrshire Council should advocate for a system based on a mix of local taxation options which are progressive and deliver real fiscal empowerment for councils to provide the services that our communities need.”

Call In Request by Councillors Billings, Todd Ferguson and Stalker

Reason for Call In

“We consider that there should be no changes made to the multipliers used to calculate council tax. The reasons are:

1 – it is well established that Council Tax needs to be changed because it takes no account of people’s ability to pay. This was recognised by the SNP Scottish government years ago but there has been no attempt made to bring forward a fairer system of raising local government funds. This change will further exacerbate the fundamental unfairness of the Council tax system which will create financial harm to many people even though they may live in larger homes.

2 – the current wording of the consultation response does not recognise the significant detrimental impact caused to Arran. Arran has nearly double the numbers of E to H properties compared to mainland North Ayrshire. Cost of living on Arran is already significantly higher than on the mainland and this change will further raise the cost of living on Arran which will put it at a disadvantage compared with the mainland. The Island Act legislation requires that there is a full economic and social assessment made when deciding on policy issues, and island must not be disadvantaged when compared with the mainland. This requirement is not stated with the consultation response.

3 – the comparisons between Scotland’s and England’s council tax rates are too simplistic and don’t recognise the reality of property price differentials between the majority of England and Scotland. England has a lower % of properties in the E to H bands than in Scotland, and on average property prices in England are higher than those in Scotland. In areas which have high levels of Council Tax, such as North East England over 50% of properties in band A (compared with just over 30% in North Ayrshire). Therefore, in Scotland there will be many more families on middle and lower incomes living in higher rated properties, who already pay more council tax than a property of a similar value in England. These families will be hit hard by these proposals with no possibility of obtaining any relief. The cost of living is already at crisis point and these proposals will only add to the existing hardship.”

Desired Outcome

“The desired outcome is that the North Ayrshire Council response on the proposed changes to Scotland’s council tax multipliers is changed to reflect the point made above.

Specifically:

Question 1 – NO

Council tax is a flawed system for raising local taxation as it takes no account of people's ability to pay. This has long been recognised by the Scottish government. These proposed changes will harm many families living in larger properties who are already struggling with the cost of living crisis but fall outwith any support criteria.

Comparisons that try to claim that on average Scotland's rates of council tax are lower than those in England but this is a very simplistic view of council tax comparison. It does not take into account the fact that England has a lower % of properties in bands E to H and where some of the highest rates of council tax are set there are very high levels of properties in band A. The result of this is that more families in Scotland are living in homes with higher bands when compared with a property of a similar value in England. Many Scottish families are already paying more than a family in England in similar valued homes.

When was something in England ever a reason for the SNP Scottish government to do something in Scotland? Scotland already has a higher level of taxation than in England (income tax and Land and Building Transaction tax are two examples). These proposals will further increase the competitive disadvantage of living in Scotland.

Question 2 – NO

There should be no change to the current multiplier rates. Council tax is not based on the ability to pay. Increasing rates of council tax for higher banded properties does nothing to address the basic flaw in the council tax system.

There will be many families living in higher band properties who are on middle to low incomes and will already be struggling with the cost of living crisis. They will be severely affected by these changes further increasing the struggle they have to make ends meet.

Question 3 – no answer as there is no option to say no change.

Question 4 – Other

There should be no change to band multipliers.

Question 5 – YES

The criteria for relief from tax should be the same for all families irrespective of the tax banding of their homes. The levels of relief must take in to account the ability to pay which may result in higher levels of relief for families liable for higher levels of taxation.

Question 6 – use current response.

Question 7 – use current response.

Question 8 – use current response.

Question 9 – use current response with the addition of the following:
Arran has only 25% of properties in bands A and B compared with 57% in North Ayrshire overall. In addition Arran has a much higher % of properties in bands E to H compared to the mainland (36% vs 19%). Therefore, families on Arran are on average already paying a much higher rate of council tax compared with mainland North Ayrshire. Any changes to E to H bands will have a significantly greater detrimental impact on Arran.

Arran already has higher costs of living when compared with the mainland. These council tax changes will increase the cost disparity and will have a far greater negative impact on Arran residents.

The Island Act legislation required that policy changes don't disadvantage island residents compared to the mainland. These council tax proposals will have a greater impact for island residents, therefore, if a change is made to council tax multipliers there must be some form of compensation or mitigation so that island residents are not unfairly disadvantaged.

Question 10 – YES

Arran island residents, who are on average already in higher tax banded properties, will be more greatly affected by these proposals when compared with the mainland. These disproportional impacts must be considered in accordance with the Island Act legislation.”

NORTH AYRSHIRE COUNCIL

29 August 2023

Cabinet

Title: **Council Tax Multipliers: Scottish Government Consultation**

Purpose: To consider the Consultation response in respect of the review of the level of Council tax multipliers for Band E to Band H properties

Recommendation: Cabinet is asked to approve the Consultation response from North Ayrshire Council included in Appendix 1 and for this to be submitted to the Scottish Government by 20 September 2023.

1. Executive Summary

- 1.1 The Scottish Government and COSLA launched a joint consultation on a proposal to increase the level of increase (multipliers) in respect of Council tax band E to band H properties. This follows an agreement by COSLA leaders at the end of June 2023.
- 1.2 Included in appendix 1 is the draft response from North Ayrshire Council. The proposed changes would impact those properties in Council tax band E to band H.
- 1.3 Based on the current number of dwellings and the current levels of North Ayrshire Council tax this proposed change would impact 21% of properties across North Ayrshire and the annual increase would range from £143 (£2.75 per week) for a band E property to £800 (£15.39 per week) for a band H property.
- 1.4 Any increase in Council tax revenue would contribute towards the cost of providing vital Council services and this is set within the context of significant inflationary related cost increases contributing to a projected budget gap for the Council of over £16million in 2024/25.

2. Background

- 2.1 The Scottish Government and COSLA launched a joint consultation on a proposal to increase the level of increase (multipliers) in respect of Council tax band E to band H properties. This follows an agreement by COSLA leaders at the end of June 2023.
- 2.2 The proposal seeks views on a potential change to the current system of Council tax multipliers. Currently, Councils in Scotland set Council tax rates by determining the rate for a band D property, with charges for bands A to C and E to H then calculated as lower or higher proportions (multipliers) of the band D rate. The size of the

multipliers is determined by national legislation and applies across Scotland, with the last change occurring in 2017.

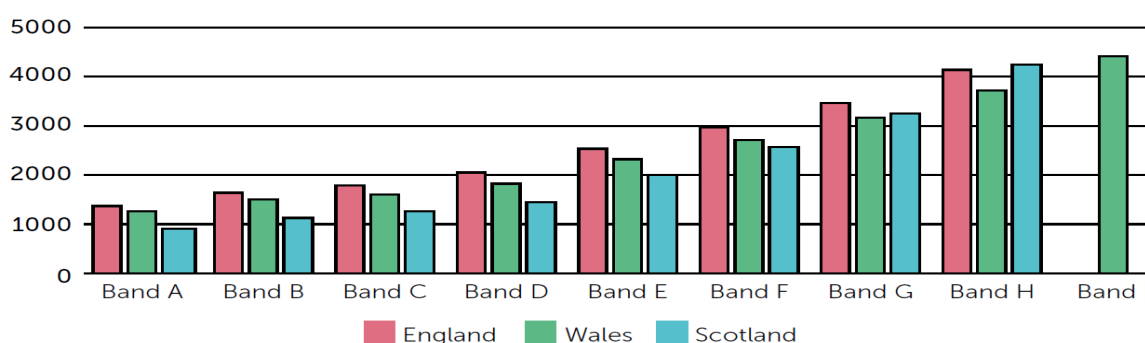
2.3 The current Council tax rates are based on property valuations undertaken in 1991. Lower value properties and therefore, those in the lowest income deciles, currently pay a proportionally higher level of Council tax when compared to the Council tax relating to properties of a higher value. To illustrate this point the Scottish Average Council tax charge for a band A property as a proportion of a mid-point band A property value represents a charge equating to 3.62% of the property value. When compared to the Scottish Average Council tax charge for a band H property as a proportion of a mid-point band H property value this represents a charge equating to 1.33% of the property value. In North Ayrshire Council, based on 2023/24 Council tax levels the proportion for a band A Council tax charge to property value currently sits at 4.03%, with band H 1.48%. If the proposed changes were applied to the Council tax charges then band H would increase to 1.82%.

2.4 The consultation proposes an increase to the multipliers affecting properties in band E to band H. When applied to current council tax rates in North Ayrshire the potential increases are set out in the undernoted table: -

Band	Current Charge £	Multiplier Increase	Potential Charge	Annual Increase £	Weekly Increase £
Band D	£1,452.12	-	£1,452.12	-	-
Band E	£1,907.92	7.5%	£2,051.03	£143.11	£2.75
Band F	£2,359.69	12.5%	£2,654.67	£294.98	£5.67
Band G	£2,843.73	17.5%	£3,341.40	£497.67	£9.57
Band H	£3,557.69	22.5%	£4,358.17	£800.48	£15.39

2.5 North Ayrshire has 70,217 dwellings which attract council tax. A total of 55,467 dwellings (79%) sits within council tax band A to band D, with 14,750 dwellings (21%) across band E to band H. Around 25% of households in North Ayrshire receive support from the Council Tax Reduction scheme and should the proposals be implemented, this scheme should be expanded to recognise the additional burden placed on households across the affected bands. Based on the current number of dwellings and the current levels of North Ayrshire Council tax this proposed change would impact 21% of properties across North Ayrshire and the annual increase would range from £143 (£2.75 per week) for a band E property to £800 (£15.39 per week) for a band H property.

2.6 Comparative council tax rates for England, Wales and Scotland for 2023/24 are included in the table below. The table reflects the proposals to increase the multipliers is implemented:-



For comparative purposes, if the consultation proposals were implemented, council tax rates for those in band A to band G would remain lower than the average charge in England, while the average charge for band D properties would remain significantly lower than in both England and Wales.

- 2.7 The consultation also considers whether any proposed changes should be introduced immediately or phased in over two or three years. This should be considered within the context of the financial challenges facing the Council, with an estimated budget gap of over £16million in 2024/25 which has been influenced by the significant impact of inflationary cost increases. Any increase in Council tax revenue would contribute towards the cost of providing vital Council services.
- 2.8 The potential additional revenue generated for North Ayrshire Council is estimated at £2.743million. It is vital that, should the proposals be implemented, any potential additional council tax revenue to local authorities is distributed to local authorities in an equitable way, recognising that some local authorities have a greater proportion of band E to band H properties than others. Any potential additional revenue should not be regarded as a substitute to the requirement for fair levels of grant funding from Scottish Government.

3. Proposals

- 3.1 Cabinet is asked to approve the Consultation response from North Ayrshire Council included in appendix 1 and for this to be submitted to the Scottish Government by 20 September 2023.

4. Implications/Socio-economic Duty

Financial

- 4.1 The proposals if implemented by Scottish Government could generate an additional £2.743million.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 This is a consultation response. The proposals, if implemented, would financially impact all households across band E to band H. This equates to 14,750 households across North Ayrshire.

Climate Change and Carbon

- 4.5 None.

Key Priorities

4.6 The consultation response aligns with the key priorities of a sustainable council, wellbeing and communities and local democracy.

Community Wealth Building

4.7 None.

5. Consultation

5.1 This is a national Scottish Government consultation launched on the 12 July 2023 and it is due to close on 20 September 2023. The consultation is open to all citizens and organisations.

Mark Boyd
Head of Service (Finance)

For further information please contact **Mark Boyd, Head of Finance**, on **01294 324560**.

Background Papers

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Appendix 1

Council Tax Multipliers: Consultation



Respondent Information Form

Please Note this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:
<https://www.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- Individual
 Organisation

Full name or organisation's name

North Ayrshire Council

Phone number

01294 324560

Address

North Ayrshire Council
Cunninghame House
Friar's Croft, Irvine,

Postcode

KA12 8EE

Email Address

markboyd@north-ayrshire.gov.uk

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
 Publish response only (without name)
 Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes No

Appendix 1

About You Questions

1. About you Question 1

[For individual respondents] Please tell us which local authority area(s) you live in

Local Authority Area(s):

[For organisational respondents] Please tell us which local authority area(s) your organisation operates in

Local Authority Area(s): **North Ayrshire**

2. About you Question 2

If you pay Council Tax, please indicate which Council Tax band(s) apply to the property (or properties) for which you pay Council Tax:

Band A

Band B

Band C

Band D

Band E

Band F

Band G

Band H

I don't pay Council Tax

I don't know

Appendix 1

Consultation Questions

1. Do you think that Council Tax in Scotland should be changed to apply increases to the tax on properties in Bands E, F, G, and H?

Yes/ No/ Don't know

Please give reasons for your answer?

This proposal provides greater parity with Council tax levels across England and Wales for Council tax bands E to G, whilst protecting Council tax bands A to D. The result of which would mean that bands E to G would generally still remain lower than comparative levels in England and Wales, with bands A to D remaining significantly lower. On balance these proposals reflect a fairer model of Council tax charging. In North Ayrshire the additional annual charges would range from £143 for band E (£2.75 per week) to £800 for band H (£15.39 per week). It is important to recognise the additional financial burden that any increase would have on families. Access to the Council Tax Reduction scheme would not be impacted by this change and would continue to offer means tested reductions of up to 100% to those households who meet the eligibility criteria.

More Information:

The table below presents current Council Tax charges in Scotland and shows the rate for each band as a proportion of the rates applicable to Band D properties.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Scotland Average Council Tax Charge 2023-24	£944	£1,102	£1,259	£1,417	£1,861	£2,302	£2,774	£3,470
Council Tax charges as a proportion of the charge for a property in Band D	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45

2. The proposal is to increase the Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively. Do you agree with the levels of increase set out in this proposal?

Yes/ No/ Don't know

The current Council tax rates are based on property valuations undertaken in 1991. It is recognised that lower value properties and therefore, those in the lowest income deciles, currently pay a proportionally higher level of Council tax

Appendix 1

when compared to the Council tax relating to properties of a higher value. To illustrate this point the Scottish Average Council tax charge for a band A property as a proportion of a mid-point band A property value represents a charge equating to 3.62% of the property value. When compared to the Scottish Average Council tax charge for a band H property as a proportion of a mid-point band H property value this represents a charge equating to 1.33% of the property value. In North Ayrshire Council, based on 2023/24 Council tax levels the proportion for a band A Council tax charge to property value currently sits at 4.03%, with band H 1.48%. If the changes were applied to the Council tax charges then band H would increase to 1.82%.

3. If you have answered no to Question 2, what do you think the increases to the Council Tax on properties in Bands E, F, G and H should be?

- The increases should be smaller
- The increases should be greater
- Don't know

4. , When should any increases be introduced if the tax on higher band properties is increased as proposed?

- Full effect from 2024-25**
- Phased-approach over two financial years (2024-25 and 2025-26)
- Phased-approach over three financial years (2024-25, 2025-26, and 2026-27)
- Other (Please state)

The recommendation is to apply the full effect from 2024-25. In North Ayrshire the additional annual charges would range from £143 for band E (£2.75 per week) to £800 for band H (£15.39 per week). This would provide additional revenue to fund vital council services, against a backdrop of significant inflationary costs.

More information:

- Increasing Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively would increase bills by around £139, £288, £485 and £781 per dwelling in these bands, based on 2023-24 Council Tax rates.
- Changes could take effect from 2024-25, or could be introduced as a phased-approach, with year-on-year increases over a number of financial years (e.g. for Band H a £260 increase in each of the next three financial years starting from 2024-25, such that the full £781 (22.5%) increase does not apply until 2027-28).

5. Should the Council Tax Reduction scheme be expanded to protect those on lower incomes from any increases to higher band properties?

Yes/ No/ Don't know

Appendix 1

More information:

- In 2017, the Council Tax Reduction Scheme was expanded to provide relief to households affected by the changes if their income was in the lower half of incomes in Scotland.
 - The expanded Council Tax Reduction Scheme relief scheme protected low-income households living in Bands E to H from the increase in their bill caused by the increase in the multipliers, and is still available.
- 6. The proportion of properties in each valuation bands E - H varies across the country. This means that some councils would benefit more than others from any increases in council tax in these property bands. Should steps be taken to ensure that all councils benefit proportionately from this policy?**

Yes/ No/ Don't know

Please give reasons for your answer?

The key point to note is that any increased Council tax revenue generated from this change will go towards funding vital Council services. This is set against a very challenging financial landscape faced by Councils across the country which has been impacted significantly through rising inflationary costs. Any overall additional revenue generated should not be a substitute to the need for fair levels of funding from Scottish Government. Across individual local authorities It is recognised that some local authorities have a greater proportion of higher band properties than others, therefore, it is recommended that the Scottish Government work with Scottish Council Directors of Finance through the Settlement and Distribution Group to ensure fairness and equity of revenue distribution across all local authorities.

More information:

- If further changes were made to charges for property Bands E to H there would be disproportionate benefits to some council areas where they have more Band E to H properties relative to other councils.
- General Revenue Grant is the main source of funding for local authorities.
- The distribution of General Revenue Grant could be adjusted to ensure the benefits are shared proportionately by all councils.
- This adjustment would mean that any changes would not disproportionately benefit, or disadvantage, any council.

Appendix 1

7. Please tell us how changes to Council Tax rates for properties in Bands E, F, G and H might impact you, or the people your organisation represents?

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Answer:

Please provide your views

In North Ayrshire, based on the current 2023/24 levels of Council tax the proposed increases would impact the Council tax payer as follows:-

	Current Charge 2023/24 £	% Increase	Potential Charge	Annual Increase £	Weekly Increase £
Band D	£1,452.12	-	£1,452.12	-	-
Band E	£1,907.92	7.5%	£2,051.03	£143.11	£2.75
Band F	£2,359.69	12.5%	£2,654.67	£294.98	£5.67
Band G	£2,843.73	17.5%	£3,341.40	£497.67	£9.57
Band H	£3,557.69	22.5%	£4,358.17	£800.48	£15.39

It is recognised that such increases will have an impact on household finances across the area. The Council supports an expanded Council Tax Reduction Scheme to help protect eligible low-income households living in Bands E to H from the increase in their bill caused by the increase in the multipliers.

8. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H would affect your local area, or Scotland as a whole (please consider social, economic, environment, community, cultural, enterprise impacts that you think are relevant)?

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Appendix 1

Answer:

Please provide your views

Council Tax Band	Number of Dwellings	%	
A	21,793	31.0%	
B	18,657	26.6%	
C	7,693	11.0%	
D	7,324	10.4%	79.0%
<hr/>			
E	9,183	13.1%	
F	4,238	6.0%	
G	1,272	1.8%	
H	57	0.1%	21.0%
<hr/>			
	70,217	100.0%	100.0%

North Ayrshire is home to 134,220 residents (2.4% of Scotland's population) with around 70,000 dwellings for Council tax purposes. Based on the Scottish Index of Multiple Deprivation (SIMD) datazone statistics across Scotland, North Ayrshire has 186 data zones, of which 52 (30%) are in the 15% most deprived in Scotland. Within the Council Taxpayer base around 25% of Council Taxpayers are in receipt of Council Tax Reduction, with approximately 20% receiving the maximum 100% Council Tax reduction. In terms of property dwellings, 79% (55,467 dwellings) are categorised within Band A to Band D and will therefore not be affected by the proposed change to the multiplier, with 21% (14,750 dwellings) affected.

9. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H might affect Island Communities

More information:

- If further changes were made to charges for property Bands E to H there would be disproportionate benefits to some council areas where they have more Band E to H properties relative to other councils.
- General Revenue Grant is the main source of funding for local authorities.

Appendix 1

- The distribution of General Revenue Grant could be adjusted to ensure the benefits are shared proportionately by all councils.
- This adjustment would mean that any changes would not disproportionately benefit, or disadvantage, any council.

Answer:

Please provide your views

North Ayrshire has 2 Island communities. Arran and the Isle of Cumbrae within the North Coast locality. Based on recent Economic baseline analysis the working age population in the Isle of Cumbrae is 11% lower than the Scottish average (i.e. 53% versus 64% nationally) with the % share of the population over 65 years old sitting at 38% versus a national average of 19%. In terms of SIMD one of the 2 datazones relating to Cumbrae fall within the top 15% most deprived areas in Scotland. The majority of Council tax bandings fall within the Band A to Band D range and will therefore not be affected by this potential change. Cumbrae has 1,343 dwellings that attract council tax. A total of 1,221 (91%) of properties on the island fall within Band A to Band D and will therefore be unaffected, with 122 (9%) across the Band E to Band H range. The council supports an expansion of the council tax reduction scheme to provide further assistance to eligible households.

With regards to Arran, all but one of Arran's datazones rank above the median overall domain ranking and there is a much higher proportion of properties across the Band E to Band H range. Arran has a total of 3,174 dwellings which attract council tax. A total of 2,029 properties (64%) fall within the Band A to Band D range, with 1,145 properties (36%) across Bands E to H.

It is also important to consider the correlation between this Consultation response and that of the Council tax second home consultation. Both island communities have a high proportion of second homes. North Ayrshire Council supports the policy of having the powers to set any Council tax premium on second homes, however, the extent to which will require further detailed modelling of consequences and any unintended consequences. Therefore, any proposed increase in the level of Council tax multiplier would form part of further modelling and impact assessments in respect of the level of any potential Council tax premium related to second homes.

10. Do you think there would be any equality, human rights, or wellbeing impacts as a result of the proposed increases in Council Tax rates for properties in Bands E, F, G and H ? Please tell us what you think these impacts would be.

Answer:

Yes


Appendix 1

No

Don't know

Please give reasons for your answer.

This change would impact around 14,750 households across North Ayrshire (21%). The consultation is open for citizens to express their views for the Scottish Government to consider. The council supports an expanded council tax reduction scheme to provide further support to those eligible households who require it.

 <p>North Ayrshire Council Comhairle Siorrachd Àir a Tuath</p>	Call In Request Form
<p>We request in terms of paragraph 26.2 of the Standing Orders Relating to Meetings and Proceeding of the Council that the decision taken by the Cabinet be called in by the Audit and Scrutiny Committee.</p>	
Names of Councillors Requesting Call In	
1. Louise McPhater	
2. Amanda Kerr	
3. Nairn McDonald	
Details of the Decision Taken By The Cabinet (Please specify the Minute reference)	
9. Council Tax Multipliers	
Reasons for Call In (Please specify your reasons for requesting that the Audit and Scrutiny Committee call in the decision)	
<p>In 2007, the SNP were elected on a manifesto to “scrap the unfair Council Tax”. 16 years later we still have Council Tax, and it is still based on historic property valuations.</p> <p>Repeating the tinkering on the Council Tax formula for bands E-H, which was first implemented in 2017, does not repair local governments broken finances. The amount raised from the proposal amounts to less than 5% of our current council tax income.</p> <p>Nor will tinkering with banding formulas make Council Tax fairer. It is a fundamentally regressive form of tax. The size of a property is not a good indicator of wealth or income, and the proposed changes will undoubtedly hit households who are on low incomes. For example, the changes will hit pensioners on a fixed income particularly hard, as well as young families struggling due to the cost-of-living crisis. The Council Tax Reduction is inadequate and will not address the full range of needs of those hit by these Council Tax rises.</p> <p>Furthermore, without a full revaluation, these changes will exacerbate the inequity between new build properties and those recently valued with those older properties that have been improved or extended. This will make the system less fair.</p> <p>We are living through the worst cost of living crisis in generations with massive rises in households’ energy bills, food costs, mortgages and rent. To hit a large number of households with large Council Tax increases at this time is deeply unfair.</p>	

Desired Outcome
(Please specify your desired outcome)

The consultation response be amended to reflect these points and to oppose the proposal on these grounds.

As an alternative, the Council's position should be to argue for reform of local taxation. This should include exploration of options such as, but not limited to, a full and thereafter regular revaluation of Council Tax, a replacement property tax, a local service tax, land value tax and a local income tax. North Ayrshire Council should advocate for a system based on a mix of local taxation options which are progressive and deliver real fiscal empowerment for councils to provide the services that our communities need.

General Comments:

The council has prepared a response to a Scottish Government consultation. This follows an agreement by COSLA leaders at the end of June 2023. Ultimately the Scottish Government will make a determination as to whether the proposals are adopted as policy. When the 2023/24 council budget was approved in March it included a projected budget deficit of £16.773m for 2024/25. This position has been impacted by high levels of inflation. This presents a significant challenge for the council and any additional revenue generated from council tax would help fund vital council services.

The council's response to the consultation included reference to the level of council tax as a proportion of the 1991based property band levels. The response also included comparator levels of council tax in England and Wales. For comparative purposes, if the consultation proposals were implemented, council tax rates for those in band A to band G would remain lower than the average charge in England, while the average charge for band D properties would remain significantly lower than in both England and Wales. It is recognised that the Scottish Government had a council tax freeze in operation from 2007 to 2021 which would have contributed to this position.

Another point to note around properties constructed after 1991. The Assessor has confirmed each valuation band reflects the Assessor's opinion of the open market value of the property if sold at 1 April 1991 but subject to a number of important statutory assumptions. Assessors apply the Comparative Principle of Valuation which relies on comparing the property to be valued with houses deemed similar, in respect of their physical characteristics and locality, and which actually sold on or around the valuation date of 1 April 1991. Assessors are not required to place an actual value on each property but have to demonstrate that its likely sale price would have been within the range of values in the relevant band.


Finally, as set out in the consultation response, due to the varying numbers of band E to band H properties across local authorities, should the proposals be implemented, there would be a requirement to consider a fair distribution of funding across all local authorities from any additional council tax revenue.

From the information contained in this call in document it would be difficult to ascertain exactly what content should be included against each individual question set out within the Scottish Government consultation as part of any revised response.

This form must be received by the Chief Executive's Office not later than 12

noon on the fifth Clear Working Day following, and not counting, the day on which the Cabinet Minute was issued.

	Date	Time
Received by Chief Executive		
Received by Committee Services	04/09/23	10:54
Acknowledged	04/09/23	11:02

 <p>North Ayrshire Council Comhairle Siorrachd Àir a Tuath</p>	Call In Request Form
<p>We request in terms of paragraph 26.2 of the Standing Orders Relating to Meetings and Proceeding of the Council that the decision taken by the Cabinet be called in by the Audit and Scrutiny Committee.</p>	
Names of Councillors Requesting Call In	
<p>1. Timothy Billings</p>	
<p>2. Todd Ferguson</p>	
<p>3. Ronnie Stalker</p>	
Details of the Decision Taken By The Cabinet (Please specify the Minute reference)	
<p>Cabinet Meeting on 29th August 2023 Item 9 – Council Tax Multipliers – Scottish Government Consultation</p>	
Reasons for Call In (Please specify your reasons for requesting that the Audit and Scrutiny Committee call in the decision)	
<p>We consider that there should be no changes made to the multipliers used to calculate council tax. The reasons are:</p> <p>1 – it is well established that Council Tax needs to be changed because it takes no account of people’s ability to pay. This was recognised by the SNP Scottish government years ago but there has been no attempt made to bring forward a fairer system of raising local government funds. This change will further exacerbate the fundamental unfairness of the Council tax system which will create financial harm to many people even though they may live in larger homes.</p> <p>2 – the current wording of the consultation response does not recognise the significant detrimental impact caused to Arran. Arran has nearly double the numbers of E to H properties compared to mainland North Ayrshire. Cost of living on Arran is already significantly higher than on the mainland and this change will further raise the cost of living on Arran which will put it at a disadvantage compared with the mainland. The Island Act legislation requires that there is a full economic and social assessment made when deciding on policy issues, and island must not be disadvantaged when compared with the mainland. This requirement is not stated with the consultation response.</p> <p>3 – the comparisons between Scotland’s and England’s council tax rates are too simplistic and don’t recognise the reality of property price differentials between the majority of England and Scotland. England has a lower % of properties in the E to H bands than in Scotland, and on average property prices in England are higher than those in Scotland. In areas which have high levels of Council Tax, such as North East England over 50% of properties in band A (compared with just over 30% in North Ayrshire). Therefore, in Scotland there will be many more families on middle and lower incomes living in higher rated properties, who already pay more council tax than a property of a similar value in England. These families will be hit hard by these proposals with no possibility of obtaining any relief. The cost of living is already at crisis point and these proposals</p>	

will only add to the existing hardship.

Desired Outcome **(Please specify your desired outcome)**

The desired outcome is that the North Ayrshire Council response on the proposed changes to Scotland's council tax multipliers is changed to reflect the point made above.

Specifically:

Question 1 – NO

Council tax is a flawed system for raising local taxation as it takes no account of people's ability to pay. This has long been recognised by the Scottish government. These proposed changes will harm many families living in larger properties who are already struggling with the cost of living crisis but fall outwith any support criteria.

Comparisons that try to claim that on average Scotland's rates of council tax are lower than those in England but this is a very simplistic view of council tax comparison. It does not take into account the fact that England has a lower % of properties in bands E to H and where some of the highest rates of council tax are set there are very high levels of properties in band A. The result of this is that more families in Scotland are living in homes with higher bands when compared with a property of a similar value in England. Many Scottish families are already paying more than a family in England in similar valued homes.

When was something in England ever a reason for the SNP Scottish government to do something in Scotland? Scotland already has a higher level of taxation than in England (income tax and Land and Building Transaction tax are two examples). These proposals will further increase the competitive disadvantage of living in Scotland.

Question 2 – NO

There should be no change to the current multiplier rates. Council tax is not based on the ability to pay. Increasing rates of council tax for higher banded properties does nothing to address the basic flaw in the council tax system.

There will be many families living in higher band properties who are on middle to low incomes and will already be struggling with the cost of living crisis. They will be severely affected by these changes further increasing the struggle they have to make ends meet.

Question 3 – no answer as there is no option to say no change.

Question 4 – Other

There should be no change to band multipliers.

Question 5 – YES

The criteria for relief from tax should be the same for all families irrespective of the tax banding of their homes. The levels of relief must take in to account the ability to pay which may result in higher levels of relief for families liable for higher levels of taxation.

Question 6 – use current response.

Question 7 – use current response.

Question 8 – use current response.

Question 9 – use current response with the addition of the following:

Arran has only 25% of properties in bands A and B compared with 57% in North Ayrshire overall. In addition Arran has is a much higher % of properties in bands E to H compared to the mainland (36% vs 19%). Therefore, families on Arran are on average already paying a much higher rate of

council tax compared with mainland North Ayrshire. Any changes to E to H bands will have a significantly greater detrimental impact on Arran.

Arran already has higher costs of living when compared with the mainland. These council tax changes will increase the cost disparity and will have a far greater negative impact on Arran residents.

The Island Act legislation required that policy changes don't disadvantage island residents compared to the mainland. These council tax proposals will have a greater impact for island residents, therefore, if a change is made to council tax multipliers there must be some form of compensation or mitigation so that island residents are not unfairly disadvantaged.

Question 10 – YES

Arran island residents, who are on average already in higher tax banded properties, will be more greatly affected by these proposals when compared with the mainland. These disproportional impacts must be considered in accordance with the Island Act legislation.

General Comments:

The council has prepared a response to a Scottish Government consultation. This follows an agreement by COSLA leaders at the end of June 2023. Ultimately the Scottish Government will make a determination as to whether the proposals are adopted as policy. When the 2023/24 council budget was approved in March it included a projected budget deficit of £16.773m for 2024/25. This position has been impacted by high levels of inflation. This presents a significant challenge for the council and any additional revenue generated from council tax would help fund vital council services.

The council's response to the consultation included reference to the level of council tax as a proportion of the 1991 based property band levels. The response also included comparator levels of council tax in England and Wales. For comparative purposes, if the consultation proposals were implemented, council tax rates for those in band A to band G would remain lower than the average charge in England, while the average charge for band D properties would remain significantly lower than in both England and Wales. It is recognised that the Scottish Government had a council tax freeze in operation from 2007 to 2021 which would have contributed to this position.

With regards to the requirements for a Islands Community Impact assessment, as this is a national Scottish Government consultation open to all citizens then it is anticipated that the views of island communities will be made known as part of their own feedback to the consultation. I appreciate that this could be made clearer within the council's response. Further clarity would be required as to where the responsibility to undertake the Islands Community Impact assessment sits. This matter will be taken up with the Scottish Government.

Another point to note around properties constructed after 1991. The Assessor has confirmed each valuation band reflects the Assessor's opinion of the open market value of the property if sold at 1 April 1991 but subject to a number of important statutory assumptions. Assessors apply the Comparative Principle of Valuation which relies on comparing the property to be valued with houses deemed similar, in respect of their physical characteristics and locality, and which actually sold on or around the valuation date of 1 April 1991. Assessors are not required to place an actual value on each property but have to demonstrate that its likely sale price would have been within the range of values in the relevant band.

Finally, as set out in the consultation response, due to the varying numbers of band E to band H properties across local authorities, should the proposals be implemented, there would be a requirement to consider a fair distribution of funding across all local authorities from any additional council tax revenue.

This form must be received by the Chief Executive's Office not later than 12 noon on the fourth Clear Working Day following, and not counting, the day on which the Cabinet Minute was issued.

	Date	Time
Received by Chief Executive		
Received by Committee Services		
Acknowledged		

NORTH AYRSHIRE COUNCIL**12 September 2023****Audit and Scrutiny Committee**

Title: **Call In: Visitor Levy Consultation**

Purpose: To allow the Committee to consider a call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023, in which having welcomed the principle of having fiscal flexibility at a local level, irrespective of whether it was ultimately exercised, the Cabinet agreed (a) to authorise officers to respond to consultations on the Visitor Levy (Scotland) Bill as detailed in Appendix 1 to the report by expressing support for the introduction of a levy, subject to further exploration of costs and benefits; and (b) to note the formation of an internal Visitor Levy Officer Working Group which would engage with the Tourism Forum, businesses and regional stakeholders to inform any future emerging proposals related to the implementation of a visitor levy.

Recommendation: That the Committee considers the terms of the call-in request and agrees, or otherwise, to make a recommendation to the Cabinet.

1. Executive Summary

- 1.1 In terms of the Scheme of Administration (Section 5), the Audit and Scrutiny Committee has a remit to consider call-in request and invite at least one of the Members who has requested the reference to call-in to attend the Committee to explain the request.
- 1.2 This report sets out the background to the call-in request in respect of the decision taken by Cabinet at its meeting on 29 August 2023 in relation to the report on a response to the Visitor Levy (Scotland) Bill consultation.

2. Background

- 2.1 The Cabinet, at its meeting on 29 August 2023, considered a report and agreed a response to the Visitor Levy (Scotland) Bill consultation.
- 2.2 A request was received in terms of the call-in procedure set out in the Council's Scheme of Administration and Standing Orders, that the Audit and Scrutiny Committee examine the decision taken by the Cabinet.

2.3 The call-in request, which was signed by Councillors Billings, Todd Ferguson and Stalker is in the following terms:-

Reason for Call In

“The decision of the Cabinet was to respond to the consultation ‘in support of the introduction of a levy’. We do not agree that North Ayrshire Council should be in support of the introduction of a levy at this time. There is insufficient detail in the draft legislation to ensure that any levy would be reasonable, proportionate and not have an overall harm on the visitor industry of North Ayrshire and Arran.

We consider that the responses in the consultation document are incomplete, unworkable and do not reference a number of very important issues that have been raised in discussion with constituents. These are:

The need for a Visitor Levy: The case for a Visitor Levy has not yet been made as there are concerns that a levy will be burdensome, expensive to operate, and removed local control of visitor funds. The cost of operating a business is already high in Scotland with high levels of taxation and VAT at 20% on all visitor services which is significantly more than many countries where visitor levies are applied. In addition, the cost of carrying on business on North Ayrshire’s islands is already higher than the mainland.

Existing Visitor Gifting Schemes: There are several voluntary visitor gifting schemes operating on Arran, which cost nothing to run and raise considerable amounts of money that is then used for the benefit of visitors to Arran. The imposition of a centralised compulsory visitor levy will harm the functioning of these schemes and reduce the funds available for use on Arran.

Where the funds are spent: A centrally controlled visitor levy will remove local decision-making about how donations from visitors will be spent. If there is going to be a visitor levy then the local authority must undertake full engagement with its visitor businesses and communities and agree how the funds raised should be spent and in what proportion across the local authority area.

Definition of Chargeable Transaction: The consultation response states that using the total overnight charge would be preferable to what the Bill suggests, which is just the accommodation element of the stay. Using the total overnight charge would be unworkable, unfair and anticompetitive. This is because:

- Accommodation providers regularly offer a bundled offer that could include a combination of accommodation, breakfast, dinner, parking, leisure facilities, spa treatments, and ferry travel. These are often used to promote the business and attract visitors out of season. It would be totally unreasonable for a guest staying at a multiservice accommodation providers (such as a hotel or bed & breakfast) to pay the visitor levy on the total cost of their stay.

- Having a levy on the total cost of stay would be unworkable as it would be impossible to know what was and was not included. For example, if the levy were to be on the total cost of the stay, would that be for guests who purchase the bundle up front or for all guests even if they only book a room up front but then go on to purchase breakfast, dinner and spa treatments? What about hotel guests who only book a room and then pay as they go for additional services?
- If hotel guests have to pay the levy on more than just the room then hotels would have two prices, one for guests charging services to the room and the second for people not staying at the hotel but using its services.
- Hotels would lose custom because guests could go to local restaurants and not have to pay the levy, giving a competitive advantage to service providers who don't offer accommodation, such as restaurants, hairdressers, spa and leisure facilities.
- Local engagement and publicity – it is essential that local authorities engage with providers, stakeholders and communities about the local operation of any visitor levy scheme they plan to introduce. The local authority must develop a publicly available plan on how the money raised will be spent and the distribution of spend across the local authority. Each year local authorities must report on the performance of the levy with details about the money raised, cost of administration, what and where the funds were spent and the benefits provided to visitors.

Others – other various concerns are:

How will the levy be applied to visitors' bills?

When will visitors be told that a levy is payable?

Will the levy be subject to VAT?

What impact will there be on commission-based accommodation sales (such as to Booking.com)?"

Desired Outcome

"The desired outcome is to change the consultation paper as follows:

Section 1 – North Ayrshire Council considers that a visitor levy should not be imposed on Scotland's visitors. Scotland is already an expensive place to do business with high levels of taxation. The Visitor Levy is an additional tax on doing business that will be burdensome, expensive to operate and damage Scotland's tourist industry.

However, if a visitor levy system were to be approved then each local authority must have full discretion regarding implementation and control over the design, set-up, implementation and spend of any scheme within their area.

Section 2 – in addition to the current wording the following to be added:

Several visitor gifting schemes operate within North Ayrshire, in particular on Arran. They are operated at no cost by community led charities. They raise and distribute large sums of money for the direct benefit of visitors to Arran. The imposition of a visitor levy will harm the operation of these schemes which operate on good will and voluntary contributions.

Accommodation providers will be impacted by this legislation, in particular smaller providers with less resources to cope with the administration requirements. Tourism is already being harmed by the imposition of short-term licensing and the imposition of a visitor levy will create a further deterrent on small businesses.

Section 3 – remove the current wording and replace with:

Using the definition of ‘overnight accommodation’ is a simple and easily understandable definition.

There is some concern that some providers may attempt to inflate the costs of any additional items (such as breakfast and parking) to reduce the visitor levy. However, businesses already have to separate accommodation, food and other services for other taxation purposes. Also, to have the levy on the full cost of the overnight stay would add significant complexity and create disparity between visitors. There is such complexity to what a stay at a hotel includes and when additional services are paid for that charging the levy on more than just the overnight accommodation would be totally unworkable, burdensome and anticompetitive (as hotels would have higher prices for its resident guests compared with non-residents, and compared with nearby restaurants, leisure facilities etc).

The definition of ‘overnight accommodation’ must define if that is the rate inclusive or exclusive of VAT. Some smaller providers operate below the VAT threshold and don’t charge VAT. A % levy charged after VAT would further disadvantage larger providers and would be a tax on a tax.

There must be a consistent approach about when and how visitors are informed about the compulsory visitor levy. In the UK there is a requirement for pricing to be transparent and include all the costs associated with the purchase. However, if accommodation providers can advertise accommodation without the visitor levy, at what point must providers inform their guests of this compulsory additional charge?

If accommodation providers are required to show a price that includes the visitor levy then providers who use 3rd party sales outlets (such as Booking.com) which the vast majority of providers do, will be charged commission on the total price of the stay including the levy. Commission could be as high as 20% which would result in a loss to providers who will still need to pay the full levy.

It is essential that the levy is only payable on a 'chargeable transaction'. If visitors were to stay overnight for free then no levy should be payable. Examples of when this are when visitors are stranded on islands due to ferry cancellations and stranded visitors are accommodated in halls and temporary accommodation that makes no charge.

Section 4 – replace the current wording with:

If the levy is a % then it must be on the accommodation only element of the stay. However, an alternative would be a set £ fee per night. This would be simpler to calculate and would be more transparent. However, depending on the level at which the levy is set it may need to be tiered depending on the cost of accommodation.

Section 5 – add to the current wording:

Local authorities should have the flexibility to limit the levy for a single stay. This could be by a cap on the number of chargeable nights or setting a maximum charge for a single stay. This would lessen the burden on long-stay visitors who are often working in the area.

Local authorities should have the flexibility to change the rates depending on the demand for accommodation at different times of year. This would lessen the impact for visitors in low seasons.

Section 6 – retain current wording

Section 7 – add the following:

It is essential that local authorities undertake a full assessment as to the implications on the introduction of a visitor levy and that the findings on this assessment should be made public.

Then, prior to making any decision about introducing a visitor levy the local authority must undertake a comprehensive consultation with businesses, stakeholders and the public regarding the local implementation of the levy system, that includes details of how and where funds raised are to be used.

The operation of the visitor levy must be made public and contain details of how the funds raised will be spent and the distribution of funds across the local authority area.

Each year the Local Authority should be required to report on the total money raised, the proportion used for administration, what the funds were spent on and to what benefit to visitors. This will ensure that the scheme remains viable, and that visitors and residents retain confidence in the levy scheme.

Section 8 – retain current wording

Section 9 – retain current wording

Section 10 – replace current wording with:

- The requirement for providers to keep detailed records of the chargeable part of their overnight rates will be an additional burden for many, especially small providers. However, using the total overnight charge (including additional non-accommodation items such as food or use of leisure facilities) is not a viable option as it would be complex and create a significant competitive disadvantage for accommodation providers.
- Using a flat rate per night of stay is likely to be less complex and easier to manage. Any flat rate may need to be tiered so as not to disadvantage lower cost accommodation providers, such as campsites.
- Where an accommodation provider operates businesses in more than one local authority, they may have to manage reporting at different levy rates to different local authorities. If they have a central booking system this may become even more complex.

Accounting software used by many small businesses may not provide the flexibility to manage the levy and exemptions which could add to administrative burden and complexity for the providers.”

- 2.4 A copy of the original report presented to Cabinet on 29 August 2023 is attached as Appendix 1 to this report. A briefing note has been provided by the Interim Head of Service, Economic Growth & Employability and is attached at Appendix 2.
- 2.5 The call-in request is valid for consideration by the Committee. The request was received within the appropriate timescale, it was signed by three Elected Members and details were provided on both the reason for the call-in and the desired outcome.
- 2.6 The Elected Members who have submitted the call-in will be invited to address the Committee to explain the call-in request. The appropriate Cabinet Member, will then be invited to clarify the reasons for the decision. The relevant senior officer will also be present to provide information on the report presented to Cabinet and on issues raised by the the call-ins received. The Committee will have an opportunity to ask questions of both parties and of those officers in attendance.
- 2.7 The Committee will then debate the call-in request and decide whether or not it agrees with the decision of the Cabinet.
- 2.8 The Audit and Scrutiny Committee therefore has to:
- i) decide if it agrees or not with the decision of the Cabinet; and
 - ii) consider what alternative action the Committee would recommend to the Cabinet if it does not agree with the decision.
- 2.9 When the matter is considered by the Cabinet, the Chairperson or another member of the Audit and Scrutiny Committee will have the right to attend the Cabinet and speak in support of any recommendation.

2.10 In the event the Cabinet declines to accept the recommendation from the Audit and Scrutiny Committee, the matter will be referred to Council for determination. The decision of the Council will be final.

3. Proposals

3.1 It is proposed that the Committee considers the call-in request.

4. Implications/Socio-economic Duty

Financial

4.1 The financial implications are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Human Resources

4.2 The human resource implications are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Legal

4.3 The legal implications are outlined are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Equality/Socio-economic

4.4 The equality/social-economic implications are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Climate Change and Carbon

4.5 The climate change and carbon implications are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Key Priorities

4.6 The key priorities are outlined in the are outlined in the Visitor Levy Consultation report attached at Appendix 1.

Community Wealth Building

4.7 The community wealth building implications are outlined in the Visitor Levy Consultation report attached at Appendix 1.

5. Consultation

5.1 No formal consultation has been undertaken at this stage.

Craig Hatton
Chief Executive

For further information please contact **Craig Stewart, Committee Services Officer**, on 01294 324130 or by email, craigstewart@north-ayrshire.gov.uk

Background Papers

N/A

NORTH AYRSHIRE COUNCIL

29 August 2023

Cabinet

Title: Visitor Levy Consultation

Purpose: To seek Cabinet approval to respond to active consultations on the Visitor Levy (Scotland) Bill; and set out working arrangements for exploration of the potential benefit and impact of a visitor levy.

Recommendation: It is recommended that Cabinet:

- a) Approves responding to consultations on the Visitor Levy (Scotland) Bill in support of the introduction of a levy, subject to further exploration of costs and benefits.
 - b) Notes the formation of an internal Visitor Levy Officer Working Group which will engage with the Tourism Forum, businesses and regional stakeholders to inform any future emerging proposals related to the implementation of a visitor levy.
-

1. Executive Summary

- 1.1 The Visitor Levy (Scotland) Bill has been introduced to the Scottish Parliament. Under the proposals within the Bill, the implementation of a visitor levy would be optional for each local authority, but, if implemented, would allow councils to collect a levy on overnight stays by visitors.
- 1.2 The levy scheme has the potential to deliver additional income to North Ayrshire Council to support services used by visitors. However, there are costs associated with setting up and operating a visitor levy scheme and these need to be evaluated against potential scheme income to inform any decision to implement a visitor levy within North Ayrshire.
- 1.3 This report sets out the background to the current consultation and required next steps to assess the viability of introduction of a visitor levy and provides a basis for responding to consultations on the current Bill.

2. Background

Visitor Levy Bill

- 2.1 On 24th May 2023 the Scottish Government introduced the Visitor Levy (Scotland) Bill. This will give local authorities in Scotland a discretionary power to apply a levy to the

accommodation portion of overnight visitor stays in all or part of their area, to help fund relevant local activities and services. The Scottish Government has indicated that the levy will give councils 'additional fiscal flexibility' and states that the levy should be used to 'facilitate achievement of objectives that relate to developing, supporting or sustaining facilities or services which are substantially for or used by those visiting the scheme area for leisure purposes'. Local authorities intending to introduce a levy are required to conduct a series of consultations and give 18 months notice prior to implementation. This means that the earliest a levy could be introduced in Scotland is 2026.

- 2.2 The levy will be a percentage of the accommodation portion of an overnight stay and applies to most types of accommodation, including hotels, hostels, guest houses, camping sites, caravan parks and boat moorings. The percentage rate will be set by each local authority, with no cap on the level, however existing schemes elsewhere typically apply a levy of between 1% and 7%. The levy can vary by location or date but not by accommodation type.
- 2.3 There is no Scottish Government financial support to set up a scheme; and each local authority will need to meet the set-up and recurring costs of running a scheme. The Scottish Government estimates costs of £110,000-£480,000 for set up, with recurring annual costs of between £190,000-£500,000 per local authority. Not all local authorities will have sufficient visitor spend on accommodation for a scheme to be cost-effective, and careful consideration needs to be given by each local authority to the viability of a scheme in their area. The identified new costs are consultation and decision-making costs, including establishing a governance model, set-up costs and ongoing admin costs, including monitoring, enforcement and communications. Those costs need to be weighed against the potential income a levy might generate.
- 2.4 Accommodation providers will also have costs associated with the introduction of a levy, in terms of setup and administration, which could include changes to systems, staff training, preparing returns to local authorities, additional record-keeping and explanation of the scheme to visitors.
- 2.5 Potentially many local authorities in Scotland will set up schemes, with much duplication of cost and effort, however, the Bill creates provision for two or more local authorities to act jointly to create a scheme. This creates provision to work regionally within Ayrshire to explore operational and financial benefits that may arise from a regional approach, if appropriate and beneficial.

Visitor Levy Bill Consultation

- 2.6 Following the introduction of the Bill there is now a further round of consultations by the Scottish Government and SLAED, closing on 1st and 15th September, seeking views on the proposals in the Bill, and on the implications for local authorities and businesses.
- 2.7 In previous consultations, North Ayrshire Council has agreed to support taxation powers being given to Local Authorities, which included the visitor levy, and responded to Scottish Government consultations and it is proposed to maintain in principle support to the Bill through the current consultation, subject to exploration of financial and operational arrangements.

- 2.8 The Bill consultation seeks responses to the consultation in a questionnaire format, and the proposed Council response is attached as Appendix 1. In completing the questionnaire, engagement with the Tourism Forum, an Elected Member Briefing session and engagement with officers at East and South Ayrshire Councils has taken place to incorporate views of members and to provide consistency of approach across Ayrshire, where appropriate.
- 2.9 The response to the Bill will also inform responses to ongoing consultations on the visitor levy by SLAED and the Government Finance Committee.

Next Steps

- 2.10 As it is not possible to undertake detailed assessment of the viability of a visitor levy scheme in advance of responding to the Visitor Levy Bill consultation, essential work needs to be done to explore the options for a delivery model, assess the opportunities, and undertake detailed analysis of potential costs and financial benefit of a scheme based on suitable information. Accordingly, a short-life officer working group will be formed with council officers from relevant services to explore the financial and operational implications of the Visitor Levy to be able to recommend future proposals related to the implementation of a visitor levy. It is anticipated that this process will include engagement with the Tourism Forum and industry stakeholders. It is also anticipated that working arrangements will include engaging with East and South Ayrshire councils to clarify any regional implications or opportunities within the process of identifying options for the implementation of a visitor levy scheme.

3. Proposals

- 3.1 It is recommended that Cabinet:
- a) Approves responding to consultation on the Visitor Levy (Scotland) Bill in support of the introduction of a levy, subject to further exploration of costs and benefits.
 - b) Notes the formation of an internal Visitor Levy Officer Working Group which will engage with the Tourism Forum, businesses and regional stakeholders to inform any future emerging proposals related to the implementation of a visitor levy.

4. Implications/Socio-economic Duty

Financial

- 4.1 There are no financial implications from responding to consultations, creating an internal working group and engaging with our colleagues in neighbouring local authorities. A future paper will be brought to Cabinet outlining the findings of the working groups.

Human Resources

4.2 Responding to consultations and taking part in working groups will be coordinated within existing staff resource.

Legal

4.3 None

Equality/Socio-economic

4.4 None

Climate Change and Carbon

4.5 None

Key Priorities

4.6 This proposal is linked to the priority outcome contained in the Council Plan for North Ayrshire to have vibrant, welcoming and attractive places.

Community Wealth Building

4.7 None

5. Consultation

5.1 Consultation has taken place with the member/officer Tourism Forum and feedback from members has been reflected in the draft response to the Visitor Levy Bill consultation.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Neale McIlvanney, Interim Head of Service, Growth, Investment and Employability**, on nealemcilvanney@north-ayrshire.gov.uk.

Background Papers

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SLAED Response to Visitor Levy (Scotland) Bill Consultation

1. What are your views on whether local authorities should have a power to place a levy (a type of additional charge or fee) on top of the price charged for overnight accommodation in their area?

In principle North Ayrshire Council is in favour of local authorities having this discretionary power, however the means of calculation and guidelines on scheme design, set-up and implementation need further consideration.

2. Given that the Bill is likely to result in different councils introducing a visitor levy in different ways or not doing so at all, what impact do you think the Bill will have in your area and across different parts of Scotland? For example, this could include any impact (positive or negative) on local authority finances, local accountability and flexibility, businesses, or on numbers of overnight visitors.

- Local authorities will have to meet front-end costs in the two years prior to the introduction of the scheme. This leaves them financially exposed and means that once the scheme is operating it may be some time before the costs are repaid and the scheme delivers useable proceeds.
- Businesses equidistant from a visitor attraction may fall either side of a local authority boundary, with different/no levies, making one more attractive to/cost effective for a visitor.
- Local authorities with a large number of accommodation providers will potentially have a large financial boost to their visitor facilities and services, making them more attractive and widening the gap between those in honey-spot areas and those in more disadvantaged areas, which are the areas that could potentially benefit most from investment in tourism.
- Accommodation providers considering location of their business or setting up an additional business may decide to locate outwith a levy area.
- Local authorities may be under pressure to ringfence levy spend in the area in which the levy is raised. E.g. in North Ayrshire, almost half of our visitor accommodation is on Arran.

3. Do you agree with the Bill's definitions of a "chargeable transaction" and of "overnight accommodation"? If not, what definitions do you think would be better?

The definition of a chargeable transaction is too open to abuse. An accommodation provider could essentially offer a 'free' bed and present an overnight charge which they can attribute to breakfast, parking, servicing, marketing, etc. This could prove very difficult to manage and take up local authority time and resources, reducing potential scheme income.

4. What are your views on the Bill's proposal to allow councils to set the levy as a percentage of the chargeable transaction? Are there any other arrangements that you think might be better? If so, please give examples and a short description of the reasons why.

Unless the levy is a percentage of the overall transaction it is open to abuse. Accommodation providers could claim that most of the cost of the stay is non-chargeable. A flat percentage on the whole transaction or a flat £ charge is more transparent and more manageable. However, while a flat £ charge is more manageable it would have to be tiered so those who provide lower cost accommodation (e.g. campsites) were not disproportionately affected.

5. What are your views on the absence of an upper limit to the percentage rate (which would be for councils to decide) and that it could be different for different purposes or different areas within the local authority area, but not for different types of accommodation?

The Bill should contain an absolute upper limit to the percentage rate. It would be more flexible if it could be varied for different types of accommodation, particularly if a local authority is trying to encourage growth of certain types of accommodation providers within its area, perhaps to bring a wider offering to appeal to more types of visitors.

6. The Bill would allow councils to apply local exemptions and rebates to some types of guests if they choose to. It also allows the Scottish Government to set exemptions and rebates on a national basis where it considers it appropriate. What are your views on the Bill's proposals in relation to exemptions and rebates?

While exemptions and rebates would make the scheme fairer (e.g. islanders staying in accommodation on the mainland due to a hospital appointment), the practicalities of managing exemptions could be challenging for the accommodation providers. For instance, would they have to ask all of their guests why they are staying there? It seems like an invasion of privacy. It also means the scheme is open to potential abuse by visitors claiming their stay is for an exempt purpose, so there would need to be a level of 'proof' of exempt purposes, which again increases the administrative burden for all parties.

7. Do you agree with the Bill's requirements around the introduction and administration of a visitor levy scheme, including those relating to consultation,

content, and publicity (Sections 11 to 15)? Are there any other requirements you think should be met before any introduction of the levy in a given area?

8. What are your views on the Bill's requirements for local authorities in respect of records keeping, reporting, and reviewing? (Sections 16, 18 and 19)

There will be a huge duplication of work across local authorities as they each establish systems to set up and then manage the scheme. This is an unnecessary front-end cost. A centrally designed scheme with suitable software and systems which could then be purchased/adopted by individual local authorities would be more cost-effective.

9. The Bill requires that net proceeds of the scheme should only be used to “achieve the scheme’s objectives” and for “developing, supporting, and sustaining facilities and services which are substantially for or used by persons visiting the area of the local authority for leisure purposes.” Do you agree with how the Bill proposes net proceeds should be used and if not, how do you think net proceeds should be used?

The Bill needs to allow flexibility about how the net proceeds should be used locally to reflect local circumstances. While the statement above does capture the spirit of the intention of the Bill, there should be acknowledgement of local circumstances informing what the net proceeds can be used for.

10. What are your views on the Bill's requirements for accommodation providers to identify the chargeable part of their overnight rates, keep records, make returns, and make payments to relevant local authorities? Are there any other arrangements that you think would be better, for example, by reducing any “administrative burden” for accommodation providers?

- Unless the levy is a percentage of the overall transaction it is open to abuse. Accommodation providers could claim that most of the cost of the stay is non-chargeable. A flat percentage on the whole transaction or a flat £ charge is more transparent and more manageable for the providers. However, while a flat £ charge is more manageable it would have to be tiered so the lowest cost providers and those who provide accommodation to arguably the most disadvantaged visitors (e.g. campsites) were not disproportionately affected.
- Where an accommodation provider operates businesses in more than one local authority, they may have to manage reporting at different levy rates to different local authorities. If they have a central booking system this becomes even more complicated.

- Accounting software used by many small businesses may not have the flexibility to manage the levy and exemptions which could add to the cost and complexity for the providers.


11. Do you have any comments on Part 5 of the Bill (Enforcement and Penalties and Appeals)? Are there any other arrangements that you think might be more appropriate in ensuring compliance and reducing the risk of avoidance?

Enforcement could potentially be a very expensive aspect of the scheme. The powers given to local authorities to enter premises and seize documents seem very heavy-handed and there is potential for human rights/privacy issues with enforcement, e.g. an individual offering bed and breakfast in their own home.

12. Do you have any comments on the issues that the Scottish Government proposes to deal with in regulations after the Bill has been passed? (Set out in the Delegated Powers Memorandum) Are there any that you think should be included in the Bill itself rather than being dealt with by regulations and if so, why?

13. Do you have any comments on the accuracy of the estimated costs for the Scottish Government, local authorities, accommodation providers and others as set out in the Financial Memorandum and Business and Regulatory Impact Assessment (BRIA)?

Appendix D

 <p>North Ayrshire Council Comhairle Siorrachd Àir a Tuath</p>	<p>Call In Request Form</p>
<p>We request in terms of paragraph 26.2 of the Standing Orders Relating to Meetings and Proceeding of the Council that the decision taken by the Cabinet be called in by the Audit and Scrutiny Committee.</p>	
<p>Names of Councillors Requesting Call In</p>	
<p>1. Timothy Billings</p>	
<p>2. Todd Ferguson</p>	
<p>3. Ronnie Stalker</p>	
<p>Details of the Decision Taken By The Cabinet (Please specify the Minute reference)</p>	
<p>Cabinet 29 September 2023 – item 12 11 – Visitor Levy Consultation</p>	
<p>Reasons for Call In (Please specify your reasons for requesting that the Audit and Scrutiny Committee call in the decision)</p>	
<p>The decision of the Cabinet was to respond to the consultation ‘in support of the introduction of a levy’.</p> <p>We do not agree that North Ayrshire Council should be in support of the introduction of a levy at this time. There is insufficient detail in the draft legislation to ensure that any levy would be reasonable, proportionate and not have an overall harm on the visitor industry of North Ayrshire and Arran.</p> <p>General comment - The response to the consultation is not intended to form any commitment to introduce a visitor levy. This would be a matter for Council to decide and will be discretionary for all local authorities. While Cabinet supported the powers given in the Bill there is a recognised need to assess the operational implications and viability of a scheme before a decision is made to determine whether a scheme would be appropriate for North Ayrshire. Details of assessment process are set out in the Cabinet paper.</p> <p>We consider that the responses in the consultation document are incomplete, unworkable and do not reference a number of very important issues that have been raised in discussion with constituents. These are:</p> <p>The need for a Visitor Levy: The case for a Visitor Levy has not yet been made as there are concerns that a levy will be burdensome, expensive to operate, and removed local control of visitor funds. The cost of operating a business is already high in Scotland with high levels of taxation and VAT at 20% on all visitor services which is significantly more than many countries where visitor levies are applied. In addition, the cost of carrying on business on North Ayrshire’s islands is already higher than the mainland.</p> <p>General comment – The Visitor Levy (Scotland) Bill gives Councils discretion regarding the introduction of a scheme, and if introduced it gives discretion to vary the scheme geographically or over different dates. A scheme can only be introduced after extensive consultation with</p>	

providers, stakeholders and communities.

Existing Visitor Gifting Schemes: There are several voluntary visitor gifting schemes operating on Arran, which cost nothing to run and raise considerable amounts of money that is then used for the benefit of visitors to Arran. The imposition of a centralised compulsory visitor levy will harm the functioning of these schemes and reduce the funds available for use on Arran.

Where the funds are spent: A centrally controlled visitor levy will remove local decision-making about how donations from visitors will be spent. If there is going to be a visitor levy then the local authority must undertake full engagement with its visitor businesses and communities and agree how the funds raised should be spent and in what proportion across the local authority area.

General comment – As per the comment above, the Bill states that a scheme can only be introduced after extensive consultation with providers, stakeholders and communities with discretionary circumstances set out in the provisions.

Definition of Chargeable Transaction: The consultation response states that using the total overnight charge would be preferable to what the Bill suggests, which is just the accommodation element of the stay. Using the total overnight charge would be unworkable, unfair and anticompetitive. This is because:

- Accommodation providers regularly offer a bundled offer that could include a combination of accommodation, breakfast, dinner, parking, leisure facilities, spa treatments, and ferry travel. These are often used to promote the business and attract visitors out of season. It would be totally unreasonable for a guest staying at a multiservice accommodation providers (such as a hotel or bed & breakfast) to pay the visitor levy on the total cost of their stay.
- Having a levy on the total cost of stay would be unworkable as it would be impossible to know what was and was not included. For example, if the levy were to be on the total cost of the stay, would that be for guests who purchase the bundle up front or for all guests even if they only book a room up front but then go on to purchase breakfast, dinner and spa treatments? What about hotel guests who only book a room and then pay as they go for additional services?
- If hotel guests have to pay the levy on more than just the room then hotels would have two prices, one for guests charging services to the room and the second for people not staying at the hotel but using its services.
- Hotels would lose custom because guests could go to local restaurants and not have to pay the levy, giving a competitive advantage to service providers who don't offer accommodation, such as restaurants, hairdressers, spa and leisure facilities.
- Local engagement and publicity – it is essential that local authorities engage with providers, stakeholders and communities about the local operation of any visitor levy scheme they plan to introduce. The local authority must develop a publicly available plan on how the money raised will be spent and the distribution of spend across the local authority. Each year local authorities must report on the performance of the levy with details about the money raised, cost of administration, what and where the funds were spent and the benefits provided to visitors.

General comment – The commentary provided in the Call-in form expands on the general comment included in the questionnaire, which recognises that clarity on the operational implications of the definition of a chargeable transaction is needed, because the implications of the definition that will impact on businesses in varying ways. There is no inherent conflict between the proposed response and the details in the call-in.

Others – other various concerns are:

How will the levy be applied to visitors' bills?

When will visitors be told that a levy is payable?

Will the levy be subject to VAT?

What impact will there be on commission-based accommodation sales (such as to Booking.com)?

Desired Outcome

(Please specify your desired outcome)

The desired outcome is to change the consultation paper as follows:

Section 1 – North Ayrshire Council considers that a visitor levy should not be imposed on Scotland's visitors. Scotland is already an expensive place to do business with high levels of taxation. The Visitor Levy is an additional tax on doing business that will be burdensome, expensive to operate and damage Scotland's tourist industry.

However, if a visitor levy system were to be approved then each local authority must have full discretion regarding implementation and control over the design, set-up, implementation and spend of any scheme within their area.

General comment – The Bill gives local authorities the discretion to impose a levy or choose not to. It is not the intention within the response to indicate that the Council would impose a levy, but rather that the Council would be in favour of having the necessary powers to do so if a levy was considered appropriate by the Council following extensive research, consultation and planning.

Section 2 – in addition to the current wording the following to be added:

Several visitor gifting schemes operate within North Ayrshire, in particular on Arran. They are operated at no cost by community led charities. They raise and distribute large sums of money for the direct benefit of visitors to Arran. The imposition of a visitor levy will harm the operation of these schemes which operate on good will and voluntary contributions.

Accommodation providers will be impacted by this legislation, in particular smaller providers with less resources to cope with the administration requirements. Tourism is already being harmed by the imposition of short-term licensing and the imposition of a visitor levy will create a further deterrent on small businesses.

General comment – The cabinet report sets out a proposed process of analysing financial and operational impacts of the implementation of a scheme in North Ayrshire and that process would determine the suitability of a scheme to North Ayrshire. This process would assess the impact on local businesses and visitor gifting schemes as part of the wider consideration of the impact of a levy. The points raised in call-in are valid areas of exploration.

Section 3 – remove the current wording and replace with:

Using the definition of 'overnight accommodation' is a simple and easily understandable definition.

There is some concern that some providers may attempt to inflate the costs of any additional items (such as breakfast and parking) to reduce the visitor levy. However, businesses already have to separate accommodation, food and other services for other taxation purposes. Also, to have the levy on the full cost of the overnight stay would add significant complexity and create disparity between visitors. There is such complexity to what a stay at a hotel includes and when additional services are paid for that charging the levy on more than just the overnight accommodation would be totally unworkable, burdensome and anticompetitive (as hotels would have higher prices for its resident guests compared with non-residents, and compared with nearby restaurants, leisure facilities etc).

The definition of 'overnight accommodation' must define if that is the rate inclusive or exclusive of VAT. Some smaller providers operate below the VAT threshold and don't charge VAT. A % levy charged after VAT would further disadvantage larger providers and would be a tax on a tax.

There must be a consistent approach about when and how visitors are informed about the compulsory visitor levy. In the UK there is a requirement for pricing to be transparent and include all the costs associated with the purchase. However, if accommodation providers can advertise accommodation without the visitor levy, at what point must providers inform their guests of this compulsory additional charge?

If accommodation providers are required to show a price that includes the visitor levy then providers who use 3rd party sales outlets (such as Booking.com) which the vast majority of

providers do, will be charged commission on the total price of the stay including the levy. Commission could be as high as 20% which would result in a loss to providers who will still need to pay the full levy.

It is essential that the levy is only payable on a 'chargeable transaction'. If visitors were to stay overnight for free then no levy should be payable. Examples of when this are when visitors are stranded on islands due to ferry cancellations and stranded visitors are accommodated in halls and temporary accommodation that makes no charge.

General comment – the content of paragraph 1 is an expansion of the point made in the draft response approved by Cabinet. It is not considered that there is any conflict between the proposed wording and the approved draft response.

Paragraph 2 -At present, in the supporting papers to the Bill, indications from HMRC are that the levy will apply to overnight accommodation inclusive of VAT. This is a UK Government matter.

Paragraph 3 – Accommodation providers must advertise the price of accommodation including the visitor levy. The Bill states that 'a person must publish the cost of overnight accommodation made available for purchase by the liable person specifying separately the amount attributable to the accommodation portion of the accommodation and any deductions made for services, the percentage rate of the levy chargeable in respect of the accommodation, and the amount of levy chargeable in respect of the accommodation'.

Paragraph 4 – The Bill states that the commission payable to third party sites such as Booking.com is not subject to the levy.

Paragraph 5 – The Bill states that the levy applies to chargeable transactions only. The draft response already highlights impacts on island communities, and it is not considered that there would be any conflict with the Cabinet approvals response to specifically recognise this potential island impact.

Section 4 – replace the current wording with:

If the levy is a % then it must be on the accommodation only element of the stay. However, an alternative would be a set £ fee per night. This would be simpler to calculate and would be more transparent. However, depending on the level at which the levy is set it may need to be tiered depending on the cost of accommodation.

General comment – The Cabinet report draft response intended to highlight that government's proposals should clarify the chargeable transaction rate so as to create clear parameters for the operation of a levy, including that visitor services not part of the accommodation element of a stay. It is considered that the call-in wording also expresses this requirement for clarity in the provision for charging % of the chargeable transaction.

Section 5 – add to the current wording:

Local authorities should have the flexibility to limit the levy for a single stay. This could be by a cap on the number of chargeable nights or setting a maximum charge for a single stay. This would lessen the burden on long-stay visitors who are often working in the area.

Local authorities should have the flexibility to change the rates depending on the demand for accommodation at different times of year. This would lessen the impact for visitors in low seasons.

General comment – Long-stay visitors who are working in the area were considered in our response as a possible case for exemption from the levy, however in discussion with other local authorities it was noted that long-stay visitors also make use of and have an impact on visitor infrastructure and facilities.

The Bill does give flexibility to impose the levy geographically or over different time periods to

take into account quieter times of year or premium dates such as special events.

Section 6 – retain current wording - Noted

Section 7 – add the following:

It is essential that local authorities undertake a full assessment as to the implications on the introduction of a visitor levy and that the findings on this assessment should be made public. Then, prior to making any decision about introducing a visitor levy the local authority must undertake a comprehensive consultation with businesses, stakeholders and the public regarding the local implementation of the levy system, that includes details of how and where funds raised are to be used.

The operation of the visitor levy must be made public and contain details of how the funds raised will be spent and the distribution of funds across the local authority area.

Each year the Local Authority should be required to report on the total money raised, the proportion used for administration, what the funds were spent on and to what benefit to visitors. This will ensure that the scheme remains viable, and that visitors and residents retain confidence in the levy scheme.

General comment – The Bill (Part 3, section 12-14, 18) states that local authorities must undertake assessments, consultations and reviews and publish the results. In addition, local authorities are obliged to report the amount collected under the scheme, how the net proceeds have been used and the performance of the scheme relative to its objectives. The first report is due within 18 months of the date on which a scheme comes into force and thereafter every 12 months, with a further overall review of the scheme within three years and every three years thereafter.

Section 8 – retain current wording - Noted

Section 9 – retain current wording - Noted

Section 10 – replace current wording with:

- The requirement for providers to keep detailed records of the chargeable part of their overnight rates will be an additional burden for many, especially small providers. However, using the total overnight charge (including additional non-accommodation items such as food or use of leisure facilities) is not a viable option as it would be complex and create a significant competitive disadvantage for accommodation providers.
- Using a flat rate per night of stay is likely to be less complex and easier to manage. Any flat rate may need to be tiered so as not to disadvantage lower cost accommodation providers, such as campsites.
- Where an accommodation provider operates businesses in more than one local authority, they may have to manage reporting at different levy rates to different local authorities. If they have a central booking system this may become even more complex.
- Accounting software used by many small businesses may not provide the flexibility to manage the levy and exemptions which could add to administrative burden and complexity for the providers.

General comment – The Cabinet report draft response intended to highlight that government's proposals should clarify the chargeable transaction rate so as to create clear parameters for the operation of a levy, including that visitor services not part of the accommodation element of a stay. It is considered that the call-in wording also expresses this requirement for clarity in the provision for charging % of the chargeable transaction.

This form must be received by the Chief Executive's Office not later than 12

noon on the fifth Clear Working Day following, and not counting, the day on which the Cabinet Minute was issued.

	Date	Time
Received by Chief Executive		
Received by Committee Services	04/09/23	18:51
Acknowledged	05/09/23	08:09