
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)?