

# Accommodation BID and Visitor Levy



**To: Cllr Alice Gilderdale, Executive Councillor for Community Wealth Building and Community Safety**

**Strategy and Resources Committee** 25<sup>th</sup> March 2024

**Report by:**

Jemma Little, Economic Development Manager, Cambridge City Council  
Tel: 07720 145018 Email: [jemma.little@cambridge.gov.uk](mailto:jemma.little@cambridge.gov.uk)

**Wards affected:**

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

## Key Decision

### 1. Executive Summary

- 1.1 This report explains the context and outlines the recommended roles for the Council in the work being led by the Cambridge Business Improvement District (BID), to set up a new Accommodation BID (ABID), funded by a visitor levy, to provide the investment needed for improved management of the visitor economy in Greater Cambridge.
- 1.2 The levy has the potential to generate between £1.5m - £2.6m per annum over a 5-year business plan. This offers the opportunity to achieve a step change in the way the visitor economy is managed and has the potential to achieve significant benefits.
- 1.3 The Council is already a partner in the Cambridge BID and if the ABID goes ahead, would play a key role in the governance of the proposed ABID and would also be responsible for the ballot and levy collection, with all costs covered by the ABID.

## **2. Recommendations**

The Executive Councillor is recommended to:

To approve the recommended roles for the Council in the work led by the Cambridge BID, to establish the feasibility of an Accommodation BID (ABID) for the Greater Cambridge area which are as follows:

- a) To support the approach being taken by the BID to secure investment for improved management of the visitor economy
- b) To work as members of the BID and the Welcome to Cambridge Boards on the development of the ABID business plan to ensure alignment with the council's priorities
- c) To manage the ABID Ballot with council costs to be covered

If the ballot is successful

- a) To work with the BID and Welcome to Cambridge Board on the development of the governance structure for the ABID
- b) To manage levy collection from hoteliers on behalf of the ABID – with council's costs covered
- c) Continued partnership working with the ABID and Cambridge BID in the delivery of Council objectives for the benefit of the City

## **3. Background**

### **Context**

- 3.1 The previous Destination Management Organisation (DMO) Visit Cambridge and Beyond, went into administration during the pandemic which also led to the closure of the Tourist Information Office. Since its establishment in 2016 the DMO struggled with viability as it relied on business membership fees and income from service delivery such as walking tours and booking fees which were not sufficient to cover operating costs. A new DMO, Welcome to Cambridge was set up in 2021 as a Community Interest Company by the City Council, Curating Cambridge Ltd, Cambridge BID and King's College. The CIC owns the rights to the Visit Cambridge and Beyond promotional assets but operates as a strategic body and is dependent upon the capacity of its partners for delivery with destination marketing and visitor welcome support (including ambassadors) provided by Cambridge BID, and solely funded by the current BID levy.

- 3.2 With visitor numbers (c. 8m pa.) approaching pre-pandemic levels, greater investment is needed to manage the visitor economy which accounts for 12.2% of employment in the city and generated in £583,294,500 direct spend and a further £220,313,000 indirect spend in 2022.
- 3.3 A Destination Management Plan (DMP) is being developed by the Welcome to Cambridge Board partners and South Cambridgeshire District Council with funding from the UK Shared Prosperity Fund. This will provide a strategic vision and joint plan with wider stakeholders to manage and develop Greater Cambridge as a destination with a focus on the needs of visitors, businesses and residents whilst improving the economic, social and environmental impacts. While the DMP and ABID Business Plan are evolving in parallel it is expected that there will be strong development links, with the ABID potentially being a key delivery partner for the DMP.
- 3.4 Government funding for visitor management for DMOs remains unlikely following the De Bois Review, which has led the implementation of a new national structure for Visit England and DCMS investment which will channel any funding via Local Visitor Economy Partnerships (LVEPs) which operate at a larger geographic area than DMOs, usually County wide. There is not a County-wide structure for visitor management in Cambridgeshire, although there is an aspiration to establish one in the medium term. However, certain criteria need to be met to achieve LVEP status including having a DMP and a sustainable business model with a track record of financial viability.

## **ABID Model**

- 3.5 The payment of a local charge by visitors is common in Europe and use is growing the UK following the successful launch of an ABID in Manchester last April, as the vehicle to levy a charge for overnight hotel stays. The key difference between an ABID and our existing BID is that the levy charge is passed onto customers and is not a direct charge on businesses. Hotels collect the levy charge and pass this to the ABID quarterly in arrears based on an average occupancy rate set by the business plan.
- 3.7 In order for an ABID to be created, a ballot is held where a double majority must be achieved amongst the accommodation providers within the proposed ABID boundary area who meet the specified criteria for being required to charge the levy e.g. a rateable value threshold. The

double majority means that of those 'levy payers' that vote over 50% must vote 'yes' by number and over 50% must vote 'yes' by rateable value. The ballot is supported by the ABID business plan which outlines how the levy would be invested, usually over 5 years.

## **Benefits and Outcomes**

3.8 The ABID offers the opportunity to achieve a step change in the way the visitor economy is managed and has the potential to achieve the following benefits and outcomes:

- Significant investment in the Visitor Economy in the Greater Cambridge area at a level previously unseen
- A sustainable funding model which reduces the liability for investment on businesses and public sector organisations
- A cohesive and managed approach to the development of the visitor economy which focuses on enhancing the quality and value of the visitor experience (not quantity)
- Broader understanding of the 'Cambridge' offer amongst visitors and the ability to deliver a visitor experience which matches expectations, spreads benefit beyond the City core
- The ability to deliver aspects of the Destination Management Plan and the ability to explore and develop projects and activities with partners which in the past would not have been possible.
- Increased spend in the local economy which will support local businesses, boost employment, and enhance services for residents and visitors.
- A cohesive and unified representation of the visitor economy and clearer understanding of how the sector operates.
- The ability to meet national tourism criteria and structures, which may provide the ability to secure additional national funding as and when it becomes available.
- An organisation where the private and public sector work together with partners and stakeholders in the interests of the city.

## **Feasibility**

3.9 Feasibility work has identified Cambridge City and South Cambridgeshire as the study area for the potential ABID. This is based on the rationale that hotels within this area consider their businesses to be linked to Cambridge as a destination and trade with a Cambridge address.

- 3.10 Within this catchment, approximately 35 hotels have been identified with a rateable value of more than £34,500 (consistent with current BID) and properties with over 10 rooms. Pubs or businesses with a few rooms and accommodation as secondary part of the business would not be required to collect the levy.
- 3.11 Airbnb's and self-catering units are not included within the model. The ABID uses BID legislation which uses business rates as part of the criteria (the property must be on the NNDR system). The majority of Airbnb's are within the domestic ratings system.
- 3.12 Modelling work to date has looked at variety of charges on a per room per night basis. Manchester currently charges £1 +VAT per room per night and our understanding is that other destinations considering a Visitor Levy, are looking at charges between £2-£3 per room per night. Feedback from hoteliers has suggested that we propose whole numbers (for ease of collection) and numbers inclusive of VAT as this is how they operate nationally. The proposal is to charge £2 (£1.67 + VAT per room per night in years 1 and 2, with the Visitor Levy increasing to £3 (£2.50 + VAT) in year 3, 4 and 5. This keeps Cambridge broadly in line with other proposals being developed nationally that we are currently aware of. Modelled on an average occupancy between 66% and 76%, the potential income is £1.5m - £2.6m per annum over the 5-year business plan is an investment circa £10-12m for the visitor economy.
- 3.13 Some University Colleges operate a commercial B&B offer during certain times of the year. These Colleges cannot be mandated to charge the Visitor Levy because they are educational institutions. However, recognising that the commercial B&B operation of some colleges is, at times, in direct competition with hotel rooms, and to establish a clear and consistent message for visitors staying overnight in Cambridge, a voluntary agreement is being explored with the relevant colleges to cover the times of the year when they let rooms on a commercial basis.
- 3.14 Initial discussions have been held with local hoteliers to assess whether they would support the ABID at ballot and will continue over the next month. This has highlighted the need to be clear in the Business Plan about delivery and the importance of good governance and management. Businesses out of the core City have highlighted transport links and getting to and from attractions as an issue.

3.15 Current Emerging themes for the business plan are summarized below although it should be noted these are emerging themes and are likely to change and discussions with businesses continue.

- Destination Investment – project examples could include – the story of Cambridge, destination branding, DMP delivery, wayfinding, coordination of conversations about challenges our destination faces (e.g. coach parking, large groups), visitor hot spot cleans, additional waste collection, developing sustainable business practices and influencing visitor behaviour e.g. sustainable travel.
- Destination Profile – project examples could include – travel trade development, targeted Press & PR activity encouraging longer, higher economic value stays, website development, introduction of additional communication channels and professional memberships.
- Destination Product Development and Distribution – project examples could include – themed itinerary development and promotion; short-break campaign; content and video creation; social media engagement; development of Cambridge pass; corporate return visit initiative.

## **Timescales**

3.16 Key milestones in the ABID development are shown below.

Feb – March 2024	Ongoing consultation with hoteliers and stakeholders
March 2024	Notification of potential Ballot to Secretary of State
April / May 2024	Business Plan Preparation
June / July 2024	Ballot
July onwards	Governance and staffing
1st January 2025	Potential ABID start

## **Governance**

3.17 The proposed timeline allows for six months between the ballot result and the date when the company would start trading. This should allow for the governance and staffing to be appropriately developed. The current governance arrangements proposed will be examined and modified where appropriate.

3.18 Cambridge BID and the ABID will share some resources where appropriate to reduce overheads. However, Cambridge BID and the ABID will be financially independent of each other, and it is anticipated they will have their own Board and Articles of Association

3.19 Each Board would be responsible for the delivery and management of the respective BID. It is proposed there will be an overarching strategic Board which will include the Chairs from the two Boards, City Council and national representation from related bodies to ensure the City has a place within national discussions.

3.20 Welcome to Cambridge CIC will continue to play a strategic role providing oversight for the implementation of the Destination Management Plan currently being developed and will retain custodianship of the Visit Cambridge assets.

## **Implications**

### **a) Financial Implications**

None

### **b) Staffing Implications**

None

### **c) Equality and Poverty Implications**

There are no direct poverty and equality impacts although it is envisaged that the ABID will play a role in enabling all residents to enjoy the city e.g. in the same way that the current BID supports free public events and cultural activities.

### **d) Net Zero Carbon, Climate Change and Environmental Implications**

No direct implications although it is envisaged that the ABID would promote and enable work on climate change and net zero via its work with hoteliers, visitors e.g. on sustainable travel.

### **e) Procurement Implications**

None

### **f) Community Safety Implications**

No direct implications although the BID and potential ABID are/would be key partners in improving community safety. For example, the BID is a key partner in Purple Flag Group, which brings together the Cambridge BID, city council, police, local business, Cambridge Businesses Against Crime, voluntary

services and higher education organisations to help keep Cambridge safe, particularly in relation to the night-time economy.

#### **4. Consultation and communication considerations**

Initial discussions have been held with local hoteliers by the BID to assess whether they would support the ABID and what they would like to see improved in terms of destination management. This has included an information event for hoteliers on 31 January, which is being followed up with further individual meetings with those who attended the event and those who were unable to attend. The discussions to date have been positive. Further conversations are being conducted with hoteliers, especially with those located outside the BID area and in South Cambridgeshire who are less familiar with the BID model and the work the BID currently does under the Visit Cambridge brand. Initial discussions with businesses out of the existing BID area have been constructive and will continue over the next month.

A press release was prepared by the BID in anticipation of the publication of the council's forward plan highlighting the ABID report triggering interest. The proposed ABID was covered by the Cambridge Independent on 14 February and consideration of this report is also intended to ensure residents are aware of what is being proposed.

The Ballot will ensure that affected hoteliers can vote on the proposed ABID and associated 5-year business plan.

#### **5. Background papers**

No background papers were used in the preparation of this report.

#### **6. Appendices**

None

#### **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

Jemma Little, Economic Development Manager

tel: 07720 145018 email: [jemma.little@cambridge.gov.uk](mailto:jemma.little@cambridge.gov.uk)