

B&Q

124/06

Our ref: TH/SG/tp/Lyons

7th March 2006

Sir Michael Lyons
Lyons Inquiry into Local Government
1 Horse Guards Road
London SW1A 2HQ

Dear Sir Michael

Re: Lyons Inquiry into Local Government

This letter is the response by B&Q plc to the Consultation Paper and Interim Report of your Inquiry into Local Government, published in December 2005. B&Q is a major contributor to the National Non-Domestic Rating system. Our current contribution to the NNDR pool is in excess of £100 million per annum.

We welcome the opportunity to contribute further to your review of Local Government.

Key Points of B&Q's Response

- We strongly oppose the relocalisation of business rates. Since 1990 the Uniform Business Rate has provided a stable and predictable stream of tax liability for businesses which has enabled proper budgeting and has meant the business decisions can be taken with confidence.
- We consider that a local rate poundage would not lead to any re-engagement between business and local government and would not represent an accountable form of taxation as business has no vote in local elections.
- We consider that a local income tax or sales tax would damage the retail economy, harm employment prospects, and would not be a suitable supplement to Council Tax.

Business Rates

1. Business benefits substantially from the stability and predictability of the Uniform Business Rate. This benefit would be lost with a return to a local rate poundage, with damaging consequences for business. We welcome the position that once a UBR is set following a revaluation it will only increase by a maximum of the RPI in any financial year. This certainty supports business planning and means that likely rates demands are clear to companies or individuals considering investing in a particular property. It also helps ensure the acceptability to business of a form of taxation (business rates) that is not subject to representation.

Link House, 2 Stoneycroft Rise, Chandlers Ford, Eastleigh, Hants, S053 3YU
Tel (023) 8062 5000

Please address all correspondence to:
B&Q plc, Portswood House, 1 Hampshire Corporate Park, Chandlers Ford, Eastleigh, Hants, S053 3YX
Tel (023) 8025 6256 Fax (023) 8025 7480

www.diy.com
REGISTERED IN ENGLAND No. 973387
Contains 100% Recycled Fibre - Totally Chlorine Free



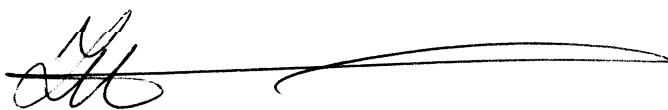
2. Return to a local rate poundage would not offer a realistic means of "re-engaging" businesses with local authorities. As a business we recognise the important role of local authorities. However we are a national business with multiple property occupation throughout England and Wales. It is impractical for us to engage with up to 330 different local authorities throughout the country. We consider that there would be no significant "re-engagement" of major national businesses with individual local authorities from re-localisation. Although property may be a local asset, the majority of the value represented by this asset is occupied by businesses that are competing in a national or global marketplace.
3. Return to a local rate poundage would also bring the need for a scheme (or schemes) of "equalisation" of rate income, to reflect the uneven distribution of business properties between different local authorities. We are concerned that the Interim Report does not even begin to address the difficulties of equalisation that would result from relocalisation of the rate poundage and the difficulties that were continually experienced in this request in the period when business rates were under local control.
4. We also consider that there should be a review of the use of rate supplements. These have lead to a high degree of complexity. There are more than 20 supplements nationally as a result of Business Improvement Districts. As well as these there are proposals for a supplement to fund Crossrail.

Council Tax

1. We consider that a local income tax is unsuitable as a supplement to or replacement for Council Tax. This is because of the cost and administrative implications identified in your Interim report (Para 2.86).
2. We also oppose the suggestion of a local Sales Tax as a supplement to Council Tax. We consider that the introduction of such a tax would have a substantial adverse effect on the retail sector which is already a heavy contributor to the cost of local government through the business rates system.

This response is made by B&Q plc on its own behalf. We have no objection to this response being made public.

Yours sincerely



Terry Hartwell
Property Director