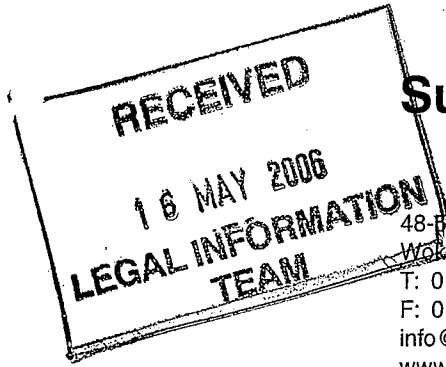




INVESTOR IN PEOPLE



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Sir Michael Lyons
Lyons Inquiry into Local Government
Room 3/12
1 Horse Guards Road
London SW1A 2HQ

12 May 2006

Dear Sir Michael,

Funding of Local Government

We are writing jointly to encourage you to include three recommendations in your forthcoming report on the future form, function and funding of local government.

Surrey is an important and dynamic part of the national economy. The county sits between the two international airports of Heathrow and Gatwick and hosts a large number of international company headquarters. We also have a thriving SME sector and a burgeoning reputation for innovation in the knowledge-led economy.

Maintaining this economic success is critical not just for local residents but for Britain as a whole. The south east region is one of only two that make a net contribution to the Exchequer, and Surrey's residents and businesses contribute an estimated net £2.5 billion annually.

We are hindered in this task by having to cope with both low per capita grant funding from central Government and high costs of service delivery in the market place. These two factors have long driven an emphasis on efficiency, and Surrey County Council's recent radical review is a case in point.

However, in the absence of local fund raising powers, we face an uphill struggle to maintain the quality and volume of service provision. Surrey's roads for example are in relatively poor condition, while congestion - and the costs of congestion to businesses - are high. We also lack adequate powers to manage cost effective services.

The Government's stance is anomalous. On the one hand it maintains low levels of grant to Surrey because it deems Surrey to be an affluent area. On the other hand it places restrictions on us drawing on the county's affluence to support the public services people want. Our stakeholders feel disenfranchised and we feel powerless to act.

We believe that a strategic and well-run authority like Surrey County Council should have the freedom to raise funds locally where this has the support of local residents and taxpayers.

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Specifically:

First, we wish to see the return to Surrey County Council of control over the business rate. This would give the business community a stake in the running of the county and enable it to express its views about the balance between tax raising and investment. For example businesses would be empowered to argue for an increase in the business rate on the understanding that the proceeds would be invested in measures to reduce congestion.

Secondly, we propose a new power to levy a small local tax on petrol from forecourts in the county. A tax of 1p per litre of fuel dispensed at Surrey petrol stations would raise approximately £7.5 million, which could be invested in measures to reduce congestion, to improve the quality of roads or to meet other priorities of local businesses and residents. The tax would be set at a low level, in order to avoid market distortions, and to avoid penalising essential road users. Its intention would be to raise funds, not of itself to change behaviour.

Such a tax would be simpler and cheaper to administer in an area like Surrey than measures more suited to large urban areas such as congestion charging or workplace parking charging. A local tax levied on petrol sales is a power exercised by local government in other countries, such as Spain, where it supports infrastructure investment. It would give local government more funding flexibility and would also encourage dialogue with economic stakeholders about priorities for investment and the contribution to investment of local service users.

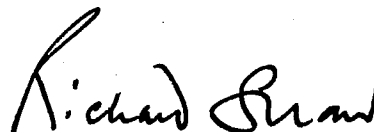
Thirdly, we believe that the Government's focus on the economic potential of cities should be extended to county regions. We propose that Surrey, with its dynamic economy, should be regarded as a county region – equivalent to the city regions that are being discussed by Government. Surrey's economy will be disadvantaged if the County Council has weaker powers in relation to functions such as transport than are available to the Mayor of London, and this is not in the country's interests. Our inability to regulate transport, for example, increases both cost and congestion for communities and businesses in Surrey, and we would wish the County Council to be a full transport authority, with the same powers that exist and are proposed in London.

We hope you will be able to take account of these proposals in your review and are happy to meet you to discuss them further if you would find that helpful. We are copying this letter to Sally Burlington who encouraged us to write.

Yours sincerely



Louise Punter
Chief Executive
Surrey Chambers of Commerce



Richard Shaw
Chief Executive
Surrey County Council