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27<sup>th</sup> July 2006

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

Dear Michael,

***Building Communities: Business Rates and Local Government***

Today the British Chambers of Commerce has published a new report, *Building Communities: Business Rates and Local Government*, commissioned from the Institute of Public Finance (IPF) to examine what relocalisation would mean for businesses.

*Building Communities* provides the detailed assessment that has been missing from the debate on relocalisation. It gives all those involved in the debate the information on which to build an informed, constructive dialogue about local government finance.

What is clear from the report is that relocalisation risks significant increases in some areas and unpredictable changes in many. Relocalisation is also unsustainable without some form of equalisation: authorities which hope to keep a greater proportion of the business rate would be disappointed whilst businesses would be unlikely to see tangible benefit for their additional rates.

*Building Communities* provides a vital contribution to the debate about business rates as the Lyons Inquiry moves into its final stages. We now need to see answers to the key questions of: what will businesses get for the additional money they might pay; where would any additional money go; how would Local Authorities be accountable to businesses; and by what criteria would equalisation be carried out.

I look forward your response to the report and to continuing the debate with you so that, working closely together, we can build sustainable, thriving communities.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'David Frost', written over a faint circular stamp or watermark.

David Frost  
**Director General**