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

cc. [sirmichaellyons@lyonsinquiry.org](mailto:sirmichaellyons@lyonsinquiry.org)

Your ref:  
Our ref: PW/CG  
Date: 31 August 2006  
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Dear Sir Michael

Derby City Council has recently been made aware that you are happy to receive correspondence relating to your Inquiry up to 31 August, and so we are pleased to offer the following comments on some of the Inquiry's financial aspects. We also have attached a paper that outlines these comments in greater detail.

From the City Council's perspective, the most important financial issues for the Inquiry to consider are these:

### **Council Tax Revaluation and Reform**

- The need to implement council tax revaluation, without further delay, is of paramount importance.
- Council tax band ratios must be widened, preferably with some extension of the current council tax band numbers.
- A regional banding system combined with council tax band ratio reform would be preferable to no substantive reform to council tax banding at all.
- The systems of discounts should be reformed, provided that there is also a wider reform of council tax band ratios, by reducing the single person discount in order to provide new discounts available to most pensioners.

### **Equalisation of Local Revenues**

- The Council strongly supports the principle of equalisation as applied to core local taxation (in terms of council tax and non-domestic rates).
- We have a general presumption in favour of equalisation and have set out general principles that must be met in cases where equalisation is not to apply.
- Any new tourism taxes and planning gain taxes should be subject to equalisation mechanisms if introduced.

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- The Council has ongoing concerns over the inconsistent council tax treatment of second homes and empty properties. We believe that the equalisation principle should apply to second homes as it does to empty properties.

### **Non-Domestic Rates**

- The Council supports the LGA's position in favour of the relocalisation of the non-domestic rate.
- Non-domestic rates should continue to be subject to equalisation in a localised framework, equalisation having been applied both before and after the 1990 reforms.
- The LABGI scheme, based on the experience of Derby and other local authorities, is an unsatisfactory alternative to relocalisation of business rates.

We hope the views in the attached paper prove usable and informative alongside the other responses you receive. Naturally, if you require further information or clarification, please do not hesitate to contact me.

Yours sincerely



Philip Walker  
Assistant Director  
Corporate Finance