

448/05

B&Q

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

11 July 2005

Dear Sir Michael

Review of Council Tax

I understand that you are currently undertaking an independent review and formulating a number of recommendations for the reform of council tax, and further, that this will take into account the revaluation of domestic property.

B&Q has a number of concerns about the revaluation and the criteria being used and I have already written to Phil Woolas as Minister responsible outlining my concerns and requesting a meeting to discuss the issue. I am enclosing a copy of this letter for your information.

You will not be surprised, therefore, that B&Q also has similar concerns about the outcome of your inquiry and we would be keen to discuss some of the issues around the revaluation and your review with you.

I am aware that there will be a public consultation once you have provided your recommendations and B&Q will, of course, provide a formal response. However, I do believe that we have legitimate concerns about the references which have been made to home improvements and modernisation and that these should be discussed at the earliest possible opportunity.

If you think a meeting would be helpful please contact me on 023 8025 7296. I look forward to hearing from you.

Yours sincerely



Ian Cheshire
Chief Executive

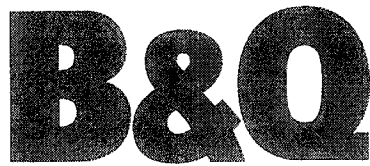


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Phil Woolas MP
Minister of State Local Government
Office of the Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

23 June 2005

Dear Mr Woolas

Housing Stock Revaluation in England

Following the recent exposure in the media about the revaluation of the UK's housing stock and its impact on council tax, I am writing to obtain some clarification on the details of the revaluation.

I understand that the Local Government Act 2003 provides the legal basis for the 2007 English council tax revaluation and requires that this will use 1 April 2005 property values. However, I am concerned that the criteria being used in the revaluation will include home improvements classed as 'modernisation'. I believe that this will include improvements such as central heating and double glazing, I am therefore keen to seek clarification from you on the definition of the term "improvements".

B&Q does not believe that home improvements such as new bathrooms, kitchens, conservatories, garages and room extensions should be included in the valuation by the Valuation Office Agency (VOA) from 2007. Homeowners who buy products from B&Q already pay VAT on products purchased, including energy efficient products, and they also pay VAT on builders work if they don't do it themselves.

To raise the council tax band on the sale of a home which has been improved unfairly penalises future homeowners. It is also not clear if the intention is to raise council tax bands if the homeowner carries out home improvements and then remains resident for many years.



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At B&Q we sell a range of products to enable homeowners to complete DIY projects that improve the surroundings and living space of their property. Homeowners can have a major positive impact on improving housing stock as well as smartening up the local community particularly where much older properties are being bought up to a modern standard, for example, by having central heating and double glazing fitted. An additional 'stealth tax' could put off homeowners improving their homes which would have a negative impact on housing in the long run. It would also have a detrimental impact on the DIY industry at the time when severely reduced consumer spending is hitting retail particularly hard.

A number of homeowners who would like to gain space in their property but can not afford to move house because of multiple fees and stamp duty, may wish to create extra room by, for example, converting their loft. B&Q believes that these homeowners should not be 'taxed by stealth' for creating space and comfort through an increase in council tax band which may be unrealistic for the amount of space created, that is, just because the property has another bedroom or bathroom.

We are also concerned that the information in the media may be misleading for the public who will consider that *any* improvements, including the replacement of a kitchen or bathroom will penalise them in the future. This could ultimately have an impact on the housing stock in England if homeowners decide that they cannot afford to make home improvements because of the additional costs this will incur.

I would be keen to discuss this with you and your officials further. I look forward to hearing from you in the near future.

Yours sincerely

A handwritten signature in black ink, appearing to be 'I. Cheshire', with a long horizontal stroke extending to the right.

Ian Cheshire
Chief Executive