

8/3/05

Sir Michael Lyons
H M Treasury
1 Horse Guards Road
LONDON

Francis Salway MA FRICS
Group Chief Executive

9 March 2005

Our ref FWS/adc

Dear Sir Michael

Review of Local Government Finance

I hope you do not mind me writing to you in connection with the review you are undertaking even though I am not an official consultee. However, we at Land Securities do have considerable experience of how the raising of finance for Local Government can impact on local businesses and on attitudes towards regeneration within local authorities.

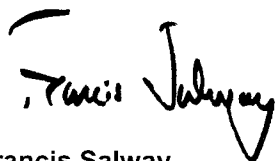
Based upon our experiences, we are struck by two factors:

1. When local authorities had extensive freedom of action in setting business rates, a number of them operated their discretion to the disadvantage of their local electorate because businesses were deterred from locating in certain boroughs by concern about levels and volatility of business rates.
2. In terms of current initiatives on urban regeneration, we believe that local authorities receive insufficient financial reward for the investment they make in regeneration (whether through time input or capital investment). We believe that the 'business growth incentive scheme' is a great initiative, but that the caps on allowable revenues have been set at far too low levels.

In many ways, there is an inherent conflict or tension between our comments under items 1 and 2 above. As always, the best solution may involve a degree of compromise - and it is somebody's role to set the compromise at the right level!

Please do not feel obliged to acknowledge receipt of this letter.

Yours sincerely



Francis Salway