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

21st February 2005

Dear Sir Michael

Thank you for giving the London Chamber the opportunity to give our views and those of our members to your Business Rates Inquiry. As we broadly agree with the views submitted to you by the British Chambers of Commerce we will limit our response to this short written submission.

As you may be aware the London Chamber of Commerce and Industry is the largest business organisation in the capital. We have some 3500 members, the majority of whom are SMEs. We cover the whole of the capital with members in all the London Boroughs. We also have members in all the main business sectors.

The London Chamber is firmly against transferring the revenue raising powers of the business rate to local authorities. Our members fear a return to what they describe as "the bad old days" with large increases in rates due, not to need, but to inefficiency. They also fear that there would be little real accountability. Given that in London many SMEs have to deal with extra expenses unique to the capital and extra taxes such as the congestion charge, these increases in the business rate could have very serious consequences for the viability of many SMEs.

We have campaigned hard to keep the business rate steady to allow SMEs and others the economic freedom to grow their business. Making the case to government is hard enough and having to repeat the arguments to individual local authorities would be nearly impossible.

Council Efficiency

Our remit covers the whole of the capital, therefore we will not comment on specific local authorities. However businesses in the capital are concerned about the provision of essential services and the smooth running of local infrastructure, as these are key factors in enabling businesses to run efficiently and profitably. Chamber members tell us that they believe there are still significant opportunities for cost reductions and improvements in local authority efficiency. Our members strongly support the continuation of competitive tendering processes for local services, such as cleaning and other outsourced services, as well as improved monitoring of the performance of local councils.

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Currently boroughs are represented on Local Strategic Partnerships which work well for businesses and provide valuable opportunities for local Chamber of Commerce involvement. Some members have expressed concern that the changes to the Local Area Agreements may not provide for adequate business representation. We hope that this issue can be resolved and this effective representation can continue in its present form.

Engagement

In terms of engagement with local councils, feedback from our members is positive. In particular, consultation on budgetary issues through scrutiny panels and other committees and networking events organised by Chambers and other business bodies are proving effective. The London Chamber is very happy to be a conduit between local authorities and businesses on policies and spending, provided the communication channels are clear and efficient with a minimum of bureaucracy.

London Enterprise

We believe a vibrant central business district is essential for the economic success of London. One of the main aims of the Chamber is to encourage enterprise in the capital, especially with regard to small firms. A number of businesses, particularly in the financial sector, have taken the incentive to move to Docklands which has, to some extent, resulted in greater availability of central London office accommodation. Theoretically this should increase the opportunities for smaller businesses to move into central London. However we suspect that rate levels may well be acting as a disincentive. With this in mind, we believe rates should be reduced for small businesses to take into account the extra costs associated with operating in the capital.

More generally we would welcome an improvement in the infrastructure of London and the implementation of the Crossrail project would be a positive step. The financing of such large projects may require private sector backing but, in our view, this should not affect the rates collected from business. As a first priority these rates should contribute towards the day-to-day costs of running the capital's infrastructure.

Next month our members look forward to sharing the London SME view with the Local Government Minister, Rt Hon Nick Raynsford MP, at a breakfast briefing on business rates here at the Chamber, where we will raise some of these issues with him in person.

If you have any queries or need any more information please do hesitate to contact me on 020 7203 1900 or my colleague Elizabeth de Winton, our Campaigns Manager on 020 7203 1882.

Yours sincerely



Colin Stanbridge
Chief Executive