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for reply 35/05



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**Sir Michael Lyons,  
Lyons Inquiry.  
Room 3/12  
1, Horse Guards Road  
LONDON,  
SW1A 2HQ**

Final reply sent 13<sup>th</sup> Feb

6<sup>th</sup> January 2005

Dear Sir Michael,

### **London Luton Airport – Independent Inquiry into Local Government Funding**

You were kind enough to invite my managing director, Paul Kehoe, to meet with you last month to seek any views we may have upon local government funding, but regrettably we were unable to attend, but did indicate that we would try to give some form of response that may be of assistance.

As you will appreciate, either as an individual, or as a private company, we are not readily familiar with the intricacies of local government funding, and can only offer observations in a general manner, and primarily from a business perspective.

We accept that there must be need for some form of government supervision, and indeed control, over local government finances, to ensure optimum use of resources and prevent any abuse of power, but "accountability" to the end user must be a fundamental consideration, and in this context, local residents have the ultimate "sanction" in the form of elections.

This aspect is not available to business, very much part of, if not integral to the community, but who have no direct influence upon local government make-up or policy, and yet can be subject to varying degrees of "direction", often with financial implications. It is appreciated that at present the only means of direct local "taxation" to business relates to the raising of non-domestic rates, using a somewhat out-moded and seemingly complicated property related basis. We understand that whilst collected at local level, the rates are in fact gathered to a central source who then re-allocates the same amongst the local and regional authorities nationally, apparently in an arbitrary fashion. Whilst the rating system itself remains workable, and short of applying a local corporation tax, based upon trading accounts, probably represents the easiest method at present, where is the "accountability" element, or the "worth" of business reflected within the community?

In these circumstances, we do see merit in the idea of perhaps apportioning the non-domestic rates by a set percentage rather than an arbitrary allocation, so that the local authority is aware of (and appreciates) the level of income derived from its local business residents, those residents feel as though they are directly participating in local affairs, and yet the Government will still be able to adopt an overall balance nationally in allocation of the residue. The idea of a separate local rate levy in



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addition to the national rate is not welcomed unless the sum of the two remains within the current formula for setting the annual poundage. To allow a local authority to set its own additional poundage could create diversity and detract business from one area to another.

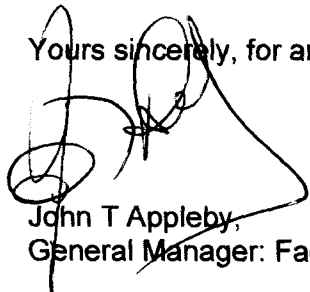
As to other methods of raising finance, again without detailed understanding of the technicalities of local government finance, it is difficult to comment but at least the retention of monies received from the provision of services supplied or income derived from assets seems reasonable, unless of a monopolist format.

Unless specific savings in resources are achieved in existing local government structures, or indeed in national quasi government bodies which could offset the costs incurred by the creation of regional elected assemblies, we do not see any real benefit for an additional tier.

Finally as a personal observation, the use of council tax, effectively a by-product of the old property rating system, is out-moded and probably unfair. Since there is already a taxation structure in place via the Inland Revenue or National Insurance, for most individuals, again a transparent precept in normal PAYE or similar arrangements in lieu of council tax, would appear to be logical.

We trust you will find the above observations, offered without liability and not necessarily representative, are of some assistance.

Yours sincerely, for and on behalf of London Luton Airport Operations Ltd



John T Appleby,  
General Manager: Facilities & Planning