

Sir Michael Lyons  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

28 April 2005

Dear Sir Lyons

### **Lyons inquiry into Local Government Funding**

Sussex Enterprise welcomes the opportunity to make a response to the Lyons inquiry into Local Government Funding. Sussex Enterprise is the largest organisation supporting and representing businesses in Sussex. We are a fully accredited Chamber of Commerce and the third largest chamber in the UK, with 5,000 members from companies of all sizes and all industry sectors. As well as offering valuable membership benefits, we also deliver a wide range of quality assured business services under the Business Link brand.

Having consulted with a group of our Members with a keen interest in policy issues, the general opinion is that they feel that uniform business rates should be retained. Sussex Enterprise, on behalf of our members, therefore opposes placing business rates back under the control of Local Authorities. The business rate system in place currently does disproportionately affect small firms, despite this it works fairly well.

We have also written to Chief Executive Officers of the Local and County Councils in Sussex. Unfortunately, we only received replies from nine of the fifteen Councils. This, in itself, suggests that the relationship between businesses and local authorities has not improved sufficiently for us to support re-localization. Sussex Enterprise is aware that there is a great deal of discrepancy between the working relationships between councils and businesses in Sussex.

A reply from a Local Council says that the protection of inflation only business rates has meant the burden of paying for local government services has fallen disproportionately on the council taxpayer. Other Local Councils raised concerns about the pressure on local government finance in the South East and that re-localization is likely to force up business rates. There is a clear need that local authorities need to engage more effectively with business.

In fact, The British Chambers of Commerce's response to the Lyons' Inquiry says that they require clear evidence that the relationship between businesses and local authorities has improved sufficiently to persuade them that local authorities should now be given back the control of business rates.

Sussex Enterprise is concerned that without the business vote, re-localization is likely to lead to excessive business rate increases. This would discourage, rather than encourage, enterprise. Re-localization may also deter investment and enterprise in areas with higher business rates. This would inhibit the regeneration of deprived areas in Sussex and the full benefit of investment in these areas would not be realised.

We strongly believe that taxation should be set according to services provided. When business rates were set locally (prior to the 1990s) businesses faced excessive rate increases, which were often not related to the services they received. Unless accountability is introduced into the local business taxation regime, we could not accept putting business rates under the control of Local Authorities.

Business already makes a large contribution to local government through business rates, which contributes to the 'National Non-Domestic Rating Pool'. They also pay substantial funds to local authorities through central government grants (e.g. corporation tax and employers' national insurance contributions). In any event, National Non-Domestic Rates (NNDR) should be inflation linked, to offer businesses stability to plan ahead. In addition, we believe that the retention of business rates at a national level ensures national scrutiny of it and that it is consistent in application.

We do, however, support an element of local retention of rates where accountability is built in and there is a relationship to service provision, such as BIDS and Local Government Business Growth Incentive Schemes (LABGI). However, we believe that BIDS should not become an essential tax on business for decent services.

If you require any further information, please let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. J. Froud', written in a cursive style.

**Mark Froud**  
**Chief Executive**