

Systems Design Working Group Update

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

1. The Systems Design Working Group (SDWG) has met once – on 17 June – since the last meeting of the Steering Group. Meeting papers, including notes from previous meetings, continue to be published online at the LGA business rates hub. The group next meets on 25 July.
2. At the SDWG on 17 June, the group discussed two papers from local government members of the group, setting out the wide range of issues surrounding risk and reward to be resolved in designing the future system. There was broad agreement that the issues highlighted by the papers were the right ones, and some discussion about issues that may be the remit of different working groups. The group agreed that a local government 'straw man' should be created, starting with propositions to mitigate risk in the system, to consider the impact of each of these issues. The Accounting and Accountability Working Group will consider papers after the SDWG to assess their implications on accounting and accountability systems.
3. The SDWG also took a DCLG-led paper on growth and redistribution. The group discussed:
 - Reset periods: It was agreed that fixed reset periods would give more predictability and stability to local authority income than resets triggered by a rule. The group also noted that more frequent resets would better take account of need, while less frequent resets would lead to the divergence of local authorities' relative income.
 - Partial resets: The group was interested in the idea of partial resets, which could be a beneficial middle way, with recognition that at some point a full reset might be required. The group also had varying views on what might constitute a partial reset, how much growth and how much of the baseline could be reset.
 - Top-ups and tariffs: There was general agreement that the current system of top-ups and tariffs works effectively, and that this element could remain the same.
4. A further series of working group meetings has been set up to take us through to the publication of a technical consultation in the autumn. The intention is to use these meetings to revisit questions on managing risk and incentivising reward in the system, as well as multiplier flexibilities, to understand the impact of different options, and develop a proposition to consult on in the autumn.
5. The group will continue to meet and develop further thinking during the consultation period. The group will remain conscious of the ongoing consultation process, and will start to develop some more detailed understanding about the issues, which can then be shaped by the consultation responses later in the year.
6. The SDWG has not yet taken any further papers on local tax flexibilities. However, the group's further work during the consultation will also include consideration of options in

relation to local tax flexibilities, to expand on some of the high-level questions as published. These measures require a high level of technical detail to be resolved in time for the introduction of the Bill and therefore the timetable is challenging.

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