

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Systems Design Working Group update

1. The Systems Design Working Group met for the first time on 4 May 2016. This note provides a summary of progress and outlines our next steps.
2. The group discussed the proposed **Terms of Reference** and the **key topics** that the group would be expected to consider. It was agreed that while these were broadly right, there were additional areas the group would like to discuss, including:
 - How some of the devolution deals already in place might impact on 100% retention of business rates;
 - Local and nationally set tax reliefs within the system;
 - Asymmetrical devolution of responsibilities and how this might impact on the system that needs to be designed.
3. The group discussed the need to take a decision on what balance the system should be trying to reach between meeting the need of local authorities through redistribution, versus the desire to use the system to incentivise local growth. This would then feed into the further design of the system. This would be of particular relevance when the group came to discussing how to deal with growth gains – which all agreed should be discussed in this forum as well as the technical group on the Fair Funding Review.
4. The group also noted that the current key topics to be discussed did not include the operationalisation of the system – ie agreeing the detail about how the system would work on a day to day basis. We confirmed that this would be part of the group's remit, and it was suggested this work may need to be considered by the group reasonably soon, especially for pilot areas.
5. The agenda item on **tax flexibilities** was introduced by the paper that had previously been seen by the Steering Group, along with a summary of the Steering Group's comments. The group were asked to consider whether the right issues had been identified and to provide initial thoughts. The group agreed that the issues identified were broadly correct and were also keen to suggest wider policy changes or variations on the announced policy intention. In particular, the group thought that similar powers should be available to all authorities and should be relevant to the particular characteristics of authorities. It was agreed that although the Government intended to implement the policies as announced, the working group would be an opportunity to make the case for different policy options. We agreed that further detail on individual issues should be brought back to future meetings. The DCLG and LGA leads will meet shortly to discuss the detailed forward work programme.
6. The group also worked through a paper on **mitigating appeals risk** (attached here as Annex A), which set out an outline proposition for one way to handle this in a new 100% rates retention system. The group was broadly supportive of the proposal to take some of the risk of successful appeals out of the local system, and were keen to see some

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further modelling on what the impact might be. Some local areas offered to help with this, providing retrospective data that the VOA is unable to provide, to help with modelling. We will be taking them up on this offer, and plan to return to the group with some further detail, alongside initial thinking on the safety net. The next discussion will need to consider options for funding a new system for managing appeals, and a future safety net. The group were also keen to emphasise that while they supported the proposition in the paper, they would be keen to see further improvements in the VOA's handling of appeals overall.

7. Dates for further meetings are in the diary, and the group were keen to engage in the detail of both the tax flexibilities and systems design work.