



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 013-24

Government security classification: Not protectively marked

Title of report: Council Tax Sharing Agreement with Essex Districts for 2024/25

Area of county / stakeholders affected: Service wide

Report by: Neil Cross, Chief Financial Officer

Date of report: 5th June 2024

Enquiries to: Neil Cross, Chief Financial Officer

1. Purpose of the report

To seek approval from the Police, Fire and Crime Commissioner for the Council Tax Sharing Agreement with Essex Districts for 2024/25.

2. Recommendations

It is recommended that the Police, Fire and Crime Commissioner enters into a two-year Council Tax Sharing Agreement with the Essex Districts for 2024/25 and 2025/26.

The cost of the Council Tax Sharing Agreement for 2024/25 is £379,461, which is an increase of £18,285 from the prior year, which is made up of:

- A cost increase of £15,532 due to an increase in the incentive payment percentage of the financial shareback payments to districts.
- An increase of £2,753 resulting from an increase in the fixed investments to districts which are to be spent directly on their collection and compliance teams.

The cost of the Council Tax Sharing Agreement for 2024/25 is included with Authority's budget.

There is no cost increase expected in 2025/26 and therefore the total cost of this contract is £758,922.

It is recommended that the Police, Fire and Crime Commissioner delegates the sign-off of the Council Tax Sharing Agreement with the districts appended to this report to the Chief Financial (S151) Officer.

3. Benefits of the proposal

The key principles of the Council Tax Sharing Agreement are to ensure a collaborative approach across all districts in Essex and the major preceptors to maximise council tax collections across the county and to reduce fraud and ensure compliance. The districts are incentivised (via the financial shareback) to collect more. The shareback does not have any conditions on how it is spent by the districts. It is purely to incentivise them to collect more. The financial shareback is being reduced as part of the Council Tax Sharing Agreement.

The agreement looks to provide more investment into the districts' collection and compliance teams, which specifically ensure the districts are providing appropriate resources to maximise Council Tax collections in each district. The districts will need to provide evidence the money has been spent appropriately each year.

This arrangement incentivises improvements in processes and collection activities, enabling Essex authorities to better collaborate and work together. In particular:

- Districts regularly share data on performance, quarterly collection, team structures and spend on tax-related activities, etc.
- Sharing of data ensures transparency and creates discussion both externally and internally on performance and what is best practice.
- The arrangements enable preceptors to analyse mid-year trends, improving our ability to forecast and the accuracy of budgets.
- Our data analytics team is also working closely with the districts to improve processes and provide data that will enable them to focus resource in areas that facilitate improvements in the collectable debt.

None of these activities are statutory and all are enforced by the Sharing Agreement.

A new Council Tax Sharing Agreement was approved in 2023/24 (through decision report 037-23), which resulted in an annual cashable saving for Essex County Fire and Rescue Service of £67,094. This agreement had an option to extend by a further two years and this proposal looks to proceed with this extension.

4. Background and proposal

The collection of council tax is a district and unitary council function and the cost of collecting council tax is met by these councils.

From the financial year 2013/14 the Government reduced its funding of council tax benefits from 100% of payments to 90%. Since then, the district and unitary council functions and major preceptors (the PFCCFRA and PFCC) have worked in partnership to drive up collection rates in order to mitigate the initial impact of the 10% reduction to the grant from central government. Council tax sharing agreements for this purpose have continued in some form since that date.

As part of the Council Tax Sharing Agreement, contributions are made by all parties in order to improve performance in the collection of council tax. This is done by investing into the Collection Investment Fund to help increase collection rates and into the Fraud and Compliance

Contribution Fund to combat and identify council tax fraud. This investment provides funding to the district councils for additional staff resources. The amount of funding allocated is currently based on 2014/15 council tax rates.

The district councils also receive an additional incentive through a financial 'shareback' arrangement. This is in addition to the money that district councils would normally keep which is 10 - 12p for every £1 of council tax collected. Through this arrangement, the districts will retain a further 7 - 9p for every £1 of 'additional' council tax income collected. Additional income is calculated by taking each district's base income from 2012/13 (the year before the original Sharing Agreement was put in place). The 2012/13 council tax income collected by the district councils is then adjusted upwards to account for any natural growth in the taxbase or tax rises. Any income collected above this level is classified as additional income.

The current agreement commenced on 1st April 2023 for a term of one year with the option to extend for an optional two-year period, and the current agreement expired on 31st March 2024. Although the existing contract has the option to extend for a further 24 months, it is proposed to enter into a new two-year contract commencing on 1st April 2024. The principles for the fixed investment, shareback incentive payments, and existing reporting materials required will remain in the new contract.

The main changes, compared to the existing methodology, include extending the Single Persons Discount reviews allocation for a further two financial years, and making it mandatory for district authorities to provide financial information on their future year council tax and business rate forecasts during ECC's budget setting period in the timely manner, which is incredibly important when setting an accurate and balanced budget. Although information is provided to Essex County Fire and Rescue Service during the budget setting process, this is of benefit to the Authority as it you create improved discipline within the process.

A benchmarking exercise carried out during 2022/23 has suggested Essex's council tax collection rates are slightly below average when compared to our statistical neighbours. When analysing in-year collection rates, Essex was lower (on average) in 2020/21 than most home counties with the collection rate falling by a larger amount during the pandemic than almost all counties in the east of England. However, when comparing counties with similar levels of deprivation, Essex authorities benchmarked around the average for collection rates, and the value of council tax support was proportionally less than our statistical neighbours. Furthermore, there were other factors that collection rate data did not consider, such as the collection of income relating to prior years. Prior year income accounted for almost £18m of all council tax income collected across ECC's districts (almost 2% of total collection for the year).

In summary, the results of our benchmarking exercise and recent council tax collection data suggest that Essex's average collection rate remains resilient, despite the recent economic challenges, and when combined with the ongoing high levels of income collection in relation to prior years, we continue to meet our targets for overall tax collection. Provisional returns for the 2024/25 budget also demonstrate strong taxbase resilience, with an assumed collection rate of 98% - above the national average – and overall taxbase growth of 1.1% demonstrates that our primary source of funding continues to grow, enabling all Essex authorities to continue to provide quality services to local residents.

The key points in new Council Tax Sharing Agreement for Essex County Fire and Rescue Service are set out below.

Fixed Investment

From 2024/25, we are proposing that the total investment from the major preceptors (being Essex County Council, the PFCC and PFCCFRA) into the Collection Investment Fund will remain at £2m as in the prior year and is to facilitate improvements in council tax collection. The value of the contribution made by each precepting authority is based on the authority's 2024/25 tax rate, as a percentage of the total council tax bill relating to Essex's precepting authorities. The total contribution for 2024/25 for Essex County Fire and Rescue Service will be £91,025 (2023/24: £88,887), which is an increase of £2,138 per annum from the prior year.

All parties in the 2024/25 Council Tax Sharing Agreement will continue to invest in combatting and identifying council tax fraud. The total investment into the Fraud and Compliance Contribution is £922,000 which is in line with the amount in the prior year. The total contribution for 2024/25 for Essex County Fire and Rescue Service will be £40,407 which is consistent with the prior year.

The above investments are known as 'fixed investments' as they are not linked to performance and do not vary accordingly.

Each district council will receive an allocation of money from the major preceptors for the 'Hardship Fund'. This fund is used to help residents who are struggling with short-term financial issues to pay their council tax bills. The total contribution for 2024/25 for Essex County Fire and Rescue will be £13,497 (2023/24: £12,882), which is an increase of £615 per annum from the prior year. All Essex authorities, including the district councils, are expected to contribute to the Hardship Fund, with the largest contribution being made by Essex County Council of £243,789 (2023/24: £232,000). The district councils will also receive financial support of £5,000 each (£60,000 in total) from the Council to assist with the administration and operation of the Hardship Fund, which is in line with the prior year.

The fixed investments all have conditions attached to them in terms of how the money can be spent. The money in the Collection Investment Fund and the Fraud and Compliance Investment Fund can only be spent on resources that specifically improve council tax collection and compliance. This could be from employing internal resources or procuring specialist help from external organisations. The district councils will need to provide evidence the money has been spent appropriately each year. Other details, such as the structure of collection and compliance teams will also need to be provided, to identify total resource available. Failure to supply this information or appropriately spend the money will result in a proportion of, or all the funding being withdrawn. This should ensure sufficient resource and professional expertise is available to the district councils, which will facilitate improvements in council tax collection. The Hardship Fund will also require the district councils to provide a record to the Council of how many residents they have helped support and the overall amount that has been spent. If any balances are remaining at year-end, the unspent money will need to be repaid to the major preceptors based on the original apportionment made into the fund.

Financial Shareback Arrangement

A stepped approach to the shareback payment means districts will only receive a shareback percentage of 6%, 7%, or 9%, based on their performance. If performance exceeds the previous year, or if the collection rate is above 98%, districts will receive a 9% shareback. If the overall performance for all districts is greater than the previous year, then the minimum percentage for the districts is 7%. However, if none of these criteria are achieved, then the districts will only receive 6%. The existing approach has encouraged individual districts to improve collection and be more proactive around finding new ways of achieving more income.

This shareback has no conditions on how it is spent by the districts. It is purely to incentivise them to collect more.

In 2024/25 the cost of the sharing agreement is expected to be £234,532 (2023/24: £219,000) which is an increase of £15,532 from the prior year.

5. Alternative options considered and rejected.

The main principles of the Council Tax Sharing Agreement are to ensure a joint approach in maximising income collection, reducing fraud, ensuring compliance, and increasing the taxbase. Other options include:

Discontinue the arrangement

This would result in not having any fixed investments however it would also result in the districts not being able to fund fixed term roles which are paid for from the investment provided for increased collection, and thus ultimately adversely affect council tax collections. The Authority has consistently benefitted from Council Tax collection surpluses, which includes in recent years during the Covid pandemic and at the peak of the economic crisis, and therefore this is not a favoured option.

6. Strategic priorities

The Authority's Fire and Rescue Plan sets a clear direction on its future development of "working closer together with other emergency services and wider partners" with a view to "delivering a better service while being closer to the communities." The key principles of the Council Tax Sharing Agreement are to ensure a collaborative approach across all districts in Essex and the major preceptors to maximise council tax collections across the county and to reduce fraud and ensure compliance.

The decision to enter the County Tax Sharing Agreement aligns with the following priorities within the Fire and Rescue Plan:

- Collaborate with our partners.
- Make best use of resources.

Council Tax is the Authority's largest funding stream. The impact of this decision is to ensure strong council tax collection rates which provides security over the Authority's key funding stream. This ultimately provides greater assurance over the funding in the Authority's annual budget and within its medium-term financial strategy.

7. Operational implications

There are no direct operational implications for Essex County Fire and Rescue Service.

8. Financial implications

The table below summarises the total cost of the council tax sharing agreement which will be £379,461 for 2024/25, an increase of £18,285 from the prior year.

	2024/25 £	2023/24 £	Cost Pressure / (Saving) £
Collection Fund	91,025	88,887	2,138
Fraud and Compliance	40,407	40,407	-

Hardship Fund	13,497	12,882	615
Total Fixed Investments	144,929	142,176	2,753
Cost of the Sharing Agreement (Financial Shareback)	234,532	219,000	15,532
Total Annual Cost to Essex Fire and Rescue	379,461	361,176	18,285

The cost of the Council Tax Sharing Agreement for 2024/25 is included within the Authority's budget.

There is no cost increase expected in 2025/26 and therefore the total cost of this contract is £758,922.

9. Legal implications

This Council Tax Sharing Agreement provides funding to the district Councils in order to increase collection rates. This is permitted under the Local Government Act 1972 and the Local Government Finance Act 1992.

10. Staffing implications

There are no direct staffing implications for Essex County Fire and Rescue Service.

11. Equality and Diversity implications

The actions being taken are not expected to have a disproportionate impact on individuals with protected characteristics (as defined within the Equality Act 2010), when compared to all other individuals, and are not expected to disadvantage people with protected characteristics.

Race	N	Religion or belief	N
Sex	N	Gender reassignment	N
Age	N	Pregnancy & maternity	N
Disability	N	Marriage and Civil Partnership	N
Sexual orientation	N		

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

12. Risks

There is a risk that the districts do not invest adequate resources into the Collection and Compliance teams, therefore negatively impacting collection rates. This proposal looks to negate some of this risk, by continuing to support the investment within the teams.

13. Governance Boards

The proposals have been discussed with Essex County Council, the district and unitary authorities and the major preceptors through the Essex Finance Officers Association (EFOA).

This decision report was considered at the PFCCFRA's Strategic Board on 13 June 2024.

14. Background papers



Decision Process (037-23)

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

I agree with the recommendations.

Sign: 

Date: 04/06/24

Step 1B – Consultation with representative bodies

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

NA.....

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority’s (“the Commissioner’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer



Sign:

Print: P. Brent-Isherwood

Date: 14 June 2024

Chief Finance Officer



Sign:

Print: Neil Cross

Date: 04/06/24

Step 3 - Publication

Is the report for publication? **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

None

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

Step 4 - Redaction

If the report is for publication, is redaction required:

1 Of Decision Sheet **NO**


2 Of Appendix **YES**

If 'YES', please provide details of required redaction:

Redact Contract appended to the report

Date redaction carried out:

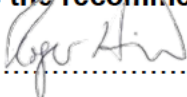
If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign:  Print: Neil Cross

Date signed: 2/7/2024

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (PFCC)

Print: Roger Hirst Date signed: 25/06/2024

