Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 014-26 **Government security classification:** Not Protectively Marked
Title of report: 2026/27 Council Tax Sharing Agreement
Area of county / stakeholders affected: Service Wide
Report by: Neil Cross (Chief Finance Officer) **Executive Team Member:** Neil Cross (Chief Finance Officer) **Date of report:** 02/03/2026 **Enquiries to:** Neil Cross (Chief Finance Officer)

1. Executive Summary

To seek approval from the Police, Fire and Crime Commissioner for the Council Tax Sharing Agreement with Essex Districts for 2026/27 and 2027/28.

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 2026/27 and 2027/28.

The cost of the Council Tax Sharing Agreement for 2026/27 is £344,005, which is an increase of £30,546 from the prior year, which is made up of:

• A cost increase of £28,072 due to an increase in the incentive payment percentage of the financial shareback payments to districts.

• An increase of £2,474 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 2026/27 is included with Authority's budget.

There is no cost increase expected in 2027/28 and therefore the total cost of this contract is expected to be £688,010.

It is further recommended that the Police, Fire and Crime Commissioner delegates the sign-off of the Council Tax Sharing Agreement [redacted] to the Chief Financial (S151) Officer.

3. 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 (Essex County Council, 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 prior agreement which covered 2024/25 and 2025/26 made 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 a timely manner, which is incredibly important when setting an accurate and balanced budget.

A benchmarking exercise carried out during 2022/23 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).

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

Article 1 - Fixed Investment

No changes are proposed to the prior agreement. The total investment from the major preceptors (being Essex County Council, the PFCC and PFCCFRA) into the Collection Investment Fund will remain at £2m to facilitate improvements in council tax collection. The value of the contribution made by each precepting authority is based on the authority's 2026/27 tax rate, as a percentage of the total council tax bill relating to Essex's precepting authorities. The total contribution for 2026/27 for Essex County Fire and Rescue Service will be £90,861, (2025/26: £89,243), which is an increase of £1,618 per annum from the prior year.

All parties in the 2026/27 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 £922,115 which is in line with the amount in the prior year. The total contribution for 2026/27 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 due to short-term financial issues to pay their council tax bills. The total contribution for 2026/27 for Essex County Fire and Rescue Service will be £14,821 (2025/26: £13,965), which is an increase of £856 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 £317,369. 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 spend the money appropriately will result in a proportion of, or all the funding being withdrawn. This should ensure sufficient resource and professional expertise are 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.

Article 2 - Financial Shareback Arrangement

No changes are proposed to the prior agreement. 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 2026/27 the cost of the sharing agreement is expected to be £197,916 (2025/26: £169,844) which is an increase of £30,456 from the prior year.

4. Proposal and associated benefits

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 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 resources in areas that facilitate improvements in the collectable debt.

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

The previous Council Tax Sharing Agreement, that was in place for two years, was approved through decision report 013-24.

The service has benefitted over recent years from Council Tax collection surpluses, which are summarised below:

2021-22 Budget	£ 80,097
2022-23 Budget	£ 799,679
2023-24 Budget	£ 518,289
2024-25 Budget	£ 461,426
2025-26 Budget	£ 189,865
2026-27 Budget	£ 699,541

The Authority has included £0.5m of funding within its 2026/27 budget that relates to Council Tax account Surplus. This has also been included within each year of its medium-term financial strategy.

5. Options Analysis

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.

The other option would be to discontinue the council tax sharing arrangement. This would result in not having any fixed investments, and Essex County Council has estimated that it would result in a loss of future council tax income collected. This had previously been estimated to be £12.9m.

6. Consultation and engagement

The changes to the agreement have been discussed with the Section 151 Officers for each district and the major preceptors through the Essex Finance Officers Association (EFOA).

7. Strategic Links

The Council Tax Sharing Agreement aligns with the priority within the Fire and Rescue Plan 2024 – 2028 to improve efficiency and effectiveness. 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.

Council Tax is the Authority's largest funding stream. The impact of this decision is to ensure strong council tax collection rates which provide 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.

8. Operational implications

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

9. Financial implications

The table below summarises the total cost of the council tax sharing agreement which will be £344,005 for 2026/27, an increase of £30,456 from the prior year.

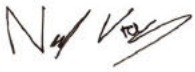
	2026/27 £	2024/25 £	Cost Pressure / (Saving) £
Collection Fund	90,861	89.243	1,618
Fraud and Compliance	40,407	40,407	-
Hardship Fund	14,821	13,965	856
Total Fixed Investments	**146,089**	**144,929**	2,474
Cost of the Sharing Agreement (Financial Shareback)	**197,916**	**169,844**	**28,072**
Total Annual Cost to Essex Fire and Rescue	**344,005**	**313,459**	**30,456**

The cost of the Council Tax Sharing Agreement for 2026/27 is included within the Authority's 2026/27 budget.

There is no cost increase expected in 2027/28 and therefore the total cost of this contract is £688,010.

10. Commercial / contractual considerations

Contract value (whole life of contract including extension options). This figure must align with Essex elements of the Contract Award Report and the contractual documentation.	£688,010
Contract start date	01/04/2026
Contract end date (initial term)	2-year agreement to 31/03/28
Contract extension provisions	None
Which contract terms are being applied (e.g. standard ECFRS / industry specific e.g. JCT / NEC or framework terms). Outline any specific commercial observations, amendments to any standard terms and conditions, or extraordinary terms and conditions for consideration	The fixed term investments to made into to the Districts are required to be evidenced. E.g. The Districts must provide their collection and compliance team structures by 31st May. If these investments are not fully utilised, then these will be repayable under the contractual terms.
Key provisions for non-performance (beyond those in standard terms), e.g. service credits, liquidated damages	The Precepting Authorities may suspend or cancel any or all further sums to be paid or deductions allowed under this Agreement and / or adjust the percentage Intended Repayment or such other sums due for future financial years as they see fit if the Precepting Authorities are of the opinion that: a. the Council has failed to provide the Shared Information, Monitoring Information and / or Performance Monitoring Information within the defined timeframes and to an acceptable standard; or b. the Council has failed to provide evidence that the Collection Investment Fund, Fraud and Compliance Fund or the Hardship Fund has been utilised in a way that complies with this agreement; or c. the Council has failed to utilise the Collection Investment Fund, the Fraud and Compliance Contribution or the Hardship Fund for the purposes set out in this agreement; or

	d. the Council has failed to pay some or all of the Council's contribution.
List any contractual terms yet to be clarified and when it is anticipated these will be finalised	N/A
Declaration of accountability for commercial and legal compliance of the above contract. I confirm my acceptance of responsibility for ensuring that the contractual documentation linked to this decision report is / will be fully compliant with the Heads of Terms set out above. In the event of any variation from this, I will ensure that a further decision report is presented to the PFCCFRA as required, in accordance with the PFCCFRA's Financial and Procurement Regulations and Schemes of Delegation. Signed:  Title: Neil Cross (Chief Finance Officer (S151 Officer)) Date: 27/02/2026	

11. 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.

12. Staffing implications

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

13. 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.

14. Risks and mitigation

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 and ensuring that the Districts evidence the investments that are being made.

There are contractual provisions that are reflected in Section 10, that would allow for the funding to be reclaimed and ceased should the Districts fail to invest adequate resources.

15. 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 19th March 2026.

16. Links to future plans

The sharing agreement will provide additional funding within the medium-term financial strategy and will therefore assist with the funding of future plans. The Authority currently includes £0.5m per year within its medium-term financial strategy that relates to a council tax accounts surplus.

17. Background papers

[redacted]

Decision process

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.)

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Sign: ... . Date:.....27/02/2026.....

Step 1B – Consultation with representative bodies
(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

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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: 3 March 2026

Chief Finance Officer

Sign: .....

Print: .....Neil Cross.....

Date: . . 27/02/2026 . . . . . .

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)

Subject to redaction, as set out below

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:

[redacted]

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: 28/04/2026

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: 26th March 2026

I do not agree the recommendations to this report:

Sign: ..... (PFCC)

Print: ..... Date signed: .....