

<b>Approved By:</b> Charles Garbett, Treasurer	<b>Classification of Paper:</b> Not protectively marked.....
<b>Report to PCC</b>	<b>Report reference number</b> PCC/0083/14
<b>Date of Decision</b> <b>Date of Report:</b> 23 September 2014	<b>Area of County/Stakeholders affected</b> <i>County wide, not including Southend or Thurrock</i>
<b>Title of report: Council Tax Sharing Agreement</b>	
<b>Report by:</b> Charles Garbett	
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**1. Purpose of report**

- 1.1. To decide whether to continue with or terminate the Council Tax Sharing Agreement with Essex district billing authorities for 2015/16 onwards.

**2. Recommendations**

- 2.1. The PCC is recommended to continue the CT Agreement with district council tax billing authorities on the basis that the gain from increased council tax collection exceeds the additional cost of investment by a significant margin.
- 2.2. The continuation with the CT Agreement is accompanied with a request that:
- i) The billing authorities provide a statement at the end of each year outlining how the monies provided by the PCC have been deployed in order to facilitate the additional collection of council tax.
  - ii) The method of council tax collection is continually reviewed in order to ensure that processes are both efficient and effective for the benefit of both billing and precepting authorities.

### 3. Background

- 3.1 The collection of council tax is a district and unitary council function and the cost of collecting council tax is met by these councils.
- 3.2 From the financial year 2013/14 the Government reduced its funding of council tax benefits from 100% of payments to 90%. As a consequence, it was anticipated that additional resources would be required by billing authorities to collect council tax from people affected by the change. Without additional resources provided through the CT Agreement the police share of the overall loss on collection of council tax was estimated at £2.1m.
- 3.3 A three year 'Agreement' was entered into between precepting authorities (County Council, Police and Fire Services) and the district billing authorities (not including Southend Council and Thurrock Council) commencing 2013/14 whereby the impact of the Government change would be mitigated.

### 4. Impact of the CT Agreement

- 4.1 The PCC has budgeted £373k for 2014/15 to support district billing authorities through the CT Agreement during. Figures are now available for 2013/14 as an indication of the level of success of the Agreement.
- 4.2 The financial position for 2013/14 is summarised in the table below:

**Table 1: Result for the financial year 2013/14 compared with planned.**

<b>Additional income and costs arising from the CT Agreement</b>	<b>Planned 2013/14 Position £'000</b>	<b>Draft 2013/14 Outturn £'000</b>
Estimated financial gain arising from the agreement:		
- Council tax collection	484	890
- Technical changes	752	709
<b>Total additional income</b>	<b>1,236</b>	<b>1,599</b>
Estimated financial loss arising from the agreement:		
- 25% of technical gain	188	177
- Collection investment	98	97
<b>Total additional cost</b>	<b>286</b>	<b>274</b>
<b>Net gain</b>	<b>950</b>	<b>1,325</b>
<b>Return on investment</b>	<b>3.3</b>	<b>4.9</b>

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- 4.3 With reference to Table 1 the 'technical' changes introduced by billing authorities include:
- i) Reducing/removing the second home discounts
  - ii) Reducing the unoccupied property discounts for furnished holiday lets and unfurnished and unoccupied accommodation
  - iii) Increasing the empty homes premium for properties that remain empty for more than 2 years
- 4.4 The 2013/14 results show that the total additional income to the PCC was, subject to audit, £1.599m in exchange for the additional cost of £274k leaving a net gain of £1.325m. This gain offsets the original loss on collection estimated at £2.1m.
- 4.5 The additional cost to the PCC of £274k supplemented by the contribution of £2,136k from Essex County Council (ECC) and £130k from Essex Fire Authority (EFA) represents total support of £2.5m to billing authorities.
- 4.6 The Agreement is for three years with an option for each party to terminate by giving notice each year by 30<sup>th</sup> November for the Agreement to end on the following 31 March. If the Agreement continues the percentage contribution by police for the technical changes increases to 35% for 2015/16, equivalent to £450k.
- 5. Proposal to extend the Agreement**
- 5.1. Following on from the success of the CT Agreement there is an additional business case for 'Compliance and Counter Fraud' which extends the existing Agreement to include additional work on processes and procedures along with bespoke software solutions to maintain and further improve the CT collection performance. The aim is to maintain the momentum of efficient and effective collection tax collection arrangements.
- 5.2. The estimated additional cost is £87k per year plus a one off cost of £60k for the software in exchange for an estimated annual saving of £465k.
- 5.3. The proposal is subject to negotiation and a separate decision by the PCC.
- 6. Police and Crime Plan**
- 6.1. The performance of district councils in collecting council tax impacts on the level of council tax receipts which are a significant funding source needed to support the Police and Crime Plan.
- 7. Police Operational Implications**
- 6.1 There are no Police operational implications.

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**7. Financial Implications**

- 4.7 Over the course of the 3 year Agreement the estimated cost for the PCC is £1m. Based on the first year, i.e. 2013/14 results, it is estimated that the benefit received through higher council tax collection could be significantly higher at almost £5m. This can only be achieved with the continuing financial support from all precepting authorities.

**8. Legal Implications**

- 8.1 The PCC has the legal discretion to either continue or terminate the Agreement with district councils.

**9. Staffing and other resource implications**

- 9.1 There are no staffing implications for the PCC but it is recognised that district councils may have employed collection fund staff.
- 9.2 It is important to acknowledge that each partnership arrangement is assessed on its own merits and, in the event of termination at any point, this should not affect other partnership work either planned or in place.

**10. Equality and Diversity implications**

- 10.1 Not applicable.

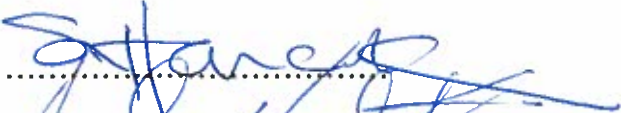
**11. Background papers**

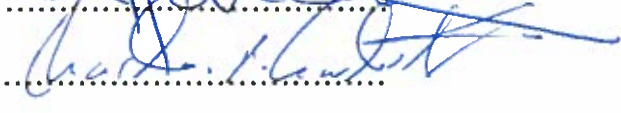
- 11.1 Please click on the link below to access a copy of the Agreement..



**Report Approval**

The report will be signed off by the Chief Executive and CFO and the PCC Solicitor where legal implications arise.


Chief Executive/M.O.  .....

Chief Financial Officer  .....

PCC Legal Advisor ..... (As necessary)

**Decision**

I agree the recommendations to this report

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**PCC/Deputy PCC**

I do not agree the recommendations to this report because

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**PCC/Deputy PCC**

**Publication**

**Reasons for non-publication** (state 'None' if applicable)

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Signed/Print name

Report for publication

YES

NO

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

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