

## RURAL, ECONOMIC & ENVIRONMENTAL AFFAIRS COMMITTEE

3rd JUNE 2015

### REPORT OF HEAD OF REGULATORY SERVICES

#### REVIEW OF CHARGES 2015-16: TAXI LICENSING

##### 1.0 PURPOSE OF REPORT

- 1.1 To consider the proposed increase in fees for taxi licensing following the report to this committee on 5<sup>th</sup> March 2015

##### 2.0 RECOMMENDATIONS

- 2.1 **That the Committee determines the level of charges for 2015-16 for each of the services set out in the attached table (Appendix A) to operate from a date to be agreed .**
- 2.2 **It is recommended that a three year licensing regime for Hackney Carriage and Private Hire Drivers and Operators be introduced with immediate effect, in advance of and in preparation for Deregulation Bill or other reforms of the Taxi legislation are made law.**

##### 3.0 BACKGROUND

- 3.1 The Committee will recall that the charges for taxi licensing were set at its meeting on 3rd September 2014 and that a further report was presented to the 5<sup>th</sup> March 2015 meeting. At the 5<sup>th</sup> March 2015 meeting it was resolved that a report analysing the recovery levels and time recording be brought back to this committee.
- 3.2 The Committee considered that further analysis of the figures was necessary to ensure transparency before any decision is made on increasing the charges. Since the date of the last meeting there has been further analysis of the historic time recording data and validation of this data against current practices and workloads.
- 3.3 This review continues to support our historic assumption, supported by the time recording which took place between October and December 2013 ,that the cost apportionment of Taxi Licensing is 40% of the overall Licensing budget .The time recording indicated that it accounted for 43% of the overall costs of providing the service.
- 3.4 The fees which were set for 2014/2015 resulted in a recovery level of approximately 51% of these costs. On this basis the currently proposed 25% fees increase for 2015/2016 would create a recovery rate of approximately 71% based on anticipated levels of demand and budgetary provision. This is based on the fees being introduced on 1<sup>st</sup> April 2015 but the introduction of the new fees a date later in the year reduces that costs recovery. Appendix B to this report sets out the cost apportionment for the expenditure on licences of various types and compares this to the current fees and those proposed for 2015/16.
- 3.4 While no further time recording has been undertaken the re-assessment of historic data and validation of this data against current practices and workloads is considered to be sufficiently robust to use for fees setting in this instance, based on that carried out in 2013. This is because there have been no significant changes in the pattern of work since that time recording was undertaken and because the fees recovered will still be well short of the overall cost of providing the service.
- 3.5 In addition, there have not been any significant change in circumstances that would have a significant impact upon the staff resource required to provide the service. The current

volume and complexity of work is comparable with that recorded in the autumn of 2013 and the procedures and processes remain unchanged. The staff establishment, their roles and other factors are very comparable to autumn 2013. There has been significant progress in reducing the costs of the service overall from which the taxi licensing component benefits, but they remain significantly more than the proposed new fees.

- 3.6 Even with the proposed increase in fees there will be a shortfall in full costs recovery of approximately 29%, if the new fees had been introduced on 1<sup>st</sup> April 2015. Any fluctuations in workload or other minor variations would have no significant impact upon this shortfall and what continues to be a major difference between income and the actual cost of providing the service.
- 3.7 The licensing of taxis and drivers is considered to be a service which, under the Charging Policy, should achieve cost recovery. Historically, the fees and charges have not reflected cost recovery and therefore this objective is not being met, with full cost recovery estimated to require a further increase of around 100% (i.e. on the basis that the current level of fees achieve 51% - see Appendix B).
- 3.8 Members will recall that the fees set in 2014/15 did not cover the cost of the enforcement of licences. If enforcement costs were included, the increase in fees necessary to achieve cost recovery would be significantly greater.
- 3.9 Members will also recall that an increase of 25% was agreed as an approach that balances the requirements of moving towards the charging policy with a sum reasonable to service users. This pattern will also be necessary to continue to the desired full cost recovery position in future years.
- 3.10 It is therefore proposed that a similar increase is agreed for 2015/16, for the same reasons. This, in combination with the increases made in 2014/15, would increase the proportion of 'cost recovery' (calculated on this basis) to around 71% for the full year, but a reduced sum because any increases will be introduced later in the year. Further increases will be required in future years in order to reach a position of full cost recovery, including the fees setting for 2016/17, the process for which commences in September.
- 3.11 It should be noted that The Deregulation Bill has received Royal Assent and proposes to introduce 3 year licensing for taxis, drivers and operators although there is uncertainty as to when this will take effect as the Act contains provision for commencement orders for its various parts. This will result in a reduction in work and associated licensing application income. This will have an impact upon future cost recovery (see para 5.3 below)
- 3.12 Melton Borough Council currently issues Hackney Carriage and Private Hire Drivers' licences for one year then renewed annually thereafter. This has been seen as good practice to ensure that Drivers still meet the 'fit and proper' requirements of holding a licence. The drivers are required to complete an application form and to sign to say they have no further Criminal Convictions or pending investigations. Should it come to light at any time that a driver had undeclared matters action would be taken against that person, either in the form of disciplinary action or referral to Licensing Sub Committee.
- 3.13 The Department for Transport Best Practice Guidance states that it is not necessarily good practice to licence drivers every year, thus imposing an unnecessary burden on drivers and licensing authorities. However, they note this may not be preferred by all drivers, especially where the fee is greater. Drivers may not be able to easily pay for a three year licence or may have plans only to work as a Taxi driver for a shorter period than three years.
- 3.14 The Deregulation Bill was introduced as part of the previous Government's drive to reduce the overall administrative burden of regulation on business and individuals and cut 'red tape'. One of the measures in that bill is to make the standard duration of all Hackney Carriage and Private Hire Drivers' licences three years and Operator licences five years.

Shorter duration licence will only be issued on a case by case basis. It only relates to drivers and operators, the current 1 year licences for vehicles would not be changed.

#### 4.0 POLICY & CORPORATE IMPLICATIONS

4.1 The fees proposed are accommodated within the corporate charging policy which recognises that discretion is limited because some fees are set by legislation (either directly or through disciplines such as 'cost recovery' requirements).

4.1 Licensing activities have received a significant profile in the recent investigations into Child Sexual Exploitation (CSE) by Professor Jay and Louise Casey in respect of Rotherham. Both premises and Taxi Licence holders had a role in the activities they investigated. The Government is requiring a concerted effort to address the issues concerned and, whilst we are not aware that Melton has experienced such issues, it is by no means immune.

#### 5.0 FINANCIAL & OTHER RESOURCE IMPLICATIONS

5.1 Financial and resource implications have been addressed above. The 2015-16 revenue budget has been produced on the assumption that the increase referred to will be justified.

5.2 Local Government funding continues to be reviewed and there is great uncertainty surrounding funding in later years although almost certainly will be reduced. This is reflected in the Council's MTFs and places a greater onus on the Council to seek to maximise its income from other sources.

5.3 The shift to 3 year licensing (see paras 3.11 – 3.14 above) will reduce income to the Council from the source of licence fees for taxi drivers which it is estimated will equate to £26,000 over a 3 year period. Whilst this will average out to £8,500 per year over time, it is anticipated that most established drivers and operators will opt for the 3/5 year approach at the first opportunity which will create a 'peak' in years 1 followed by year 4 etc.

5.4 It is expected that this will occur in any event once the legislation is fully implemented. The separate report on this agenda (item 14) on the proposed Review of Resourcing and Delivering Licensing and Enforcement Services proposes measures to enable the loss of income to be accommodated within existing levels of budget provision. These changes, if accepted, would reduce overall cost of the Licensing service and ultimately the overall sum against which cost recovery, which guides the level of these charges, is calculated. This should have a beneficial impact on the pressures described in paras. 3.7 to 3.10 above in terms of the 'upward pressure' upon the fees charged, i.e. it will assist current fees will become closer to total cost recovery objectives.

5.4 Although the new licences would last 3 years there is little if any additional work involved in producing a 3 year licence for drivers. There is considered to be no justification to set the fees for 3 year licences significantly higher than the current 1 year licence. It would only be possible to reasonably increase the fee for a marginal sum of about £10. The following table explains the income profile anticipated should these changes be implemented:

		25% increase	25% increase	25% increase	<b>Income over 3 years (est.)</b>
	2014/15	2015/16	2016/17	2017/18	
Cost of licence	102	128	158	198	
Income -Current arrangement (1 yr licensing)	8160	10160	12640	15840	<b>38640</b>
Income (proposed) - 3 yr licence	N/A	11400	500	525	<b>12425</b>

## 6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 Local Authorities have certain limited freedoms to charge for discretionary services under the Local Government Act 2003. However, in the cases above the 'cost recovery' requirements are specifically stated in specific legislation.

## 7.0 **COMMUNITY SAFETY**

7.1 While community safety is at the heart of licensing issues there are no direct links to community safety arising from this report.

## 8.0 **EQUALITIES**

8.1 There are no equalities issues identified.

## 9.0 **RISKS**

9.1 The risks are considered to be of a legal nature, i.e the inability to demonstrate cost recovery should they be challenged. We are aware of challenges on this basis elsewhere in respect of Licensing and these measures are considered necessary to safeguard against this or a 'joint action' such as that taken recently for Land Charges.

## 10.0 **CLIMATE CHANGE**

10.1 There are no climate change issues directly arising from this report.

## 11.0 **CONSULTATION**

11.1 No consultation has taken place

## 12.0 **WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer: P Reid, Regulatory Services Manager.

Date: 20<sup>th</sup> May 2015

Appendices: Appendix A – Review of Fees and Charges (delegated items – licensing extract)  
Appendix B – Costs based on 2013 Time Recording