

AGENDA ITEM 11

RURAL, ECONOMIC & ENVIRONMENTAL AFFAIRS COMMITTEE

4th NOVEMBER 2015

REPORT OF HEAD OF REGULATORY SERVICES

FEES FOR TAXI LICENCES

1.0 PURPOSE OF REPORT

- 1.1 To consider further issues arising from the consideration of objections received to proposals to increase taxi licences that were proposed by the Committee on 3rd June 2015.

2.0 RECOMMENDATIONS

- 2.1 **That the Committee agrees to the level of fees in accordance with its resolution of 3rd June 2015 and, as set out in Appendix 1 to this report with immediate effect (subject to statutory notifications).**

3.0 KEY ISSUES

- 3.1 Members will recall agreeing to an increase in charges for taxi vehicle, driver and operators licences at its meeting on 3rd June 2015. These were duly advertised as required by the legislation and have given rise to an objection. The objection was considered by the Committee on 2nd September and resulted in the need for further specification of the basis for the decision. The minutes from the meeting of 2nd September convey the resolution as follows:

“that the decision to agree the level of fees for taxi licenses for the remainder of 2015/16 be deferred to the next Rural, Economic and Environmental Affairs Committee in order that further calculations can be carried out to investigate whether the inclusion of time spent on policy formulation is proportionate”.

- 3.2 The question of proportionality relates back to the time recording exercise carried out in 2013. The ‘sampling period’ (September – December 2013) coincided with the need for a significant review of the Hackney Carriage and Private Hire Policy arising from the introduction of the new points system, various other amendments and the general need for it to be updated.
- 3.3 Policy formulation is highly relevant to the issuing of licences, because it sets out the circumstances in which they will be granted or refused. However, it was questioned whether the sampling period was ‘inflated’ because of the amount of time dedicated to policy development during the time recording period.

Any sampling exercise will include intermittent activity which does not occur on a regular basis, but is still relevant and part of the function. For example, it is noteworthy that the sampling period was also unusual because it had a low incidence of hearings and appeals and as such presents a conservative estimate of the actual time demanded in these terms.

- 3.4 However, in direct response to the concern raised, it is advised that work on policy formulation was not limited to the sampling period. It continued later in the year as the policy concerned travelled through Licencing and REEA Committees for

endorsement, and was advertised etc prior to adoption.

In order to address the concern that the time identified by the sampling period was disproportionate, the results have been recalculated to omit $\frac{3}{4}$ of the time spent on policy work. This is a proxy for the policy work captured during the time recording exercise being spread evenly through the year, despite the comment above. For comparison purposes, the original costs and the costs excluding all policy work are provided, in the event that the Committee is persuaded that their inclusion in any form is unjustified. The 3 versions described form **Appendix 2 (i-iii)** to this report.

- 3.5 Members will recall that a significant review of charges was undertaken in 2013. This was influenced by the Deloitte report into the level of charges that highlighted the need for Councils to maximise the recovery of expenditure from charges and levies, within the scope of the authority permitted, in view of other constraints on finances, i.e. that Council Tax could no longer be used to subsidise expenditure where scope existed to recover costs of the service concerned. Taxi licences of the nature addressed here were highlighted as an example of this, in that they were covering less than 50% of costs incurred, which were therefore being made up by Council Tax payers.
- 3.6 In the light of this report and detailed analysis of costs, including time recording undertaken in 2013, it was agreed that fees would be increased by 25% in April 2014. And it was noted that similar steps would be required in subsequent years in order to attain full cost recovery. A similar proposal was agreed in June 2015 which would have increased cost recovery to 71%. However this was subject to consultation which has attracted objection and was the subject of the report considered by the Committee on 2nd September and remain unimplemented whilst the issue that is the subject of this report is addressed.
- 3.7 The legislation relating to such licences is found in the Local Government (Miscellaneous Provisions) Act 1976. This allows for charges to be incurred for the any reasonable administrative or other costs in connection with the issuing of the licences (s53) and, in the case of vehicle licences (s70), in addition the reasonable cost of the carrying out inspections of hackney carriages and private hire vehicles for the purpose of determining whether such licences should be granted or renewed.
- 3.8 The Council has calculated the costs of provision of such licences as follows:
 1. Firstly, direct costs, which are dominated by staffing costs. The proportion of time spent is derived from actual measurement of the proportion of the time spent by the relevant members of staff on the issuing and administration of the licences. This was based on time recording undertaken in 2013.
 2. A similar methodology was adopted for the calculation of indirect costs, including the costs of the administrative staff, who make the greater contribution to the issuing and administration of such licences. This was also based on measurement.
 3. Further refinement was made to exclude other indirect costs which, whilst relevant to the licensing function, make no contribution to taxi licencing activities.
 4. Enforcement costs – whilst dominated by taxi licence issues – were excluded altogether.
 5. Finally, for the purposes of this exercise, the costs have been recalculated on the basis that items 1 and 2 above are ‘discounted’ to include work on policy at both a proportionate level (1/4 of actual recorded time spent on this

area) and its exclusion from cost altogether (appendix 2 (iii) refers).

3.9 The result of the exercise, based on 2014/15 figures, was that overall costs for the licences that this report addresses amounted to £47,000, whilst the combined income from the licences concerned was £25,600. Licencing fees were, therefore, were calculated as accounting for approximately 54% of expenditure associated with the provision of such licences.

3.10 Adjusting these to include policy formulation costs on the basis it should be 'evenly spread' through the year or removed altogether (see 3.8 above), resulted in a reduction of costs as follows:

Description	No allowance for Policy work	75% discounting of policy work	100% discounting of policy work
Cost	£47,059	£44,417	£43,598
Income	£25,600 (54%)	£25,600 (57.6%)	£25,600 (58.7%)

3.11 Therefore, it can be seen that although influencing cost, it remains the case that if the argument is accepted that policy costs should be evened out, or excluded altogether, the revenue from licence fee does not meet costs. Further, a 25% increase in fees would elevate income to £32,000 which would remain some way short of the objective of cost recovery (73.4% by the most optimistic measure above).

3.12 For information, Members may wish to note that further exercise of time recording is taking place following a methodology suggested by the MMTA. This will be used to inform the level of fees for 2016/17 and will be reported to the Committee at its February meeting. In addition, changes to the resources allocation that took place in 2015/16 will impact on the calculation for 2016/17 and future years.

4.0 POLICY AND 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).

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 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.

5.2 Members will appreciate that the absence of any fee increase in 2015/16 to date will result in a budget shortfall in this area in the current year.

5.3 For information, Members should also note that the provisions of the Deregulation Act took effect on 1st October 2015 and that many driver and operator applications now have a lifespan of 3 and 5 years respectively. Whilst this does not effect workload or income levels in 2015/16 because licences granted under the previous 'regime' have expired, it will affect future calculations and income, including in 2016/17.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 The legislation relating to such licences is found in the Local Government (Miscellaneous Provisions) Act 1976. Both relevant aspects of the legislation describe the scope to make charges as “reasonable with a view to recovering the costs of issue and administration” of the licences concerned. As such the Committee is invited to consider whether the approach to identification of costs as set out at para 3.8 above is reasonable, and whether increasing recoverable costs from 54% (2014/15) to 73% (2015/16) is a reasonable rate.
- 6.2 S53. provides that “a district council may demand and recover for the grant to any person of a licence to drive a hackney carriage, or a private hire vehicle, as the case may be, such a fee as they consider reasonable with a view to recovering the costs of issue and administration and may remit the whole or part of the fee in respect of a private hire vehicle in any case in which they think it appropriate to do so.”
- 6.3 S70. provides that “a district council may charge such fees for the grant of vehicle and operators’ licences as may be resolved by them from time to time and as may be sufficient in the aggregate to cover in whole or in part— .
- (a) the reasonable cost of the carrying out by or on behalf of the district council of inspections of hackney carriages and private hire vehicles for the purpose of determining whether any such licence should be granted or renewed; .
 - (b) the reasonable cost of providing hackney carriage stands; and .
 - (c) any reasonable administrative or other costs in connection with the foregoing and with the control and supervision of hackney carriages and private hire vehicles..

Part (b) above is not applicable as the Council has no such stands; such matters are the responsibility of the Highways Authority.

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 implications associated with this report.

9.0 RISKS

L I K E L I H O O D	A	Very High				
	B	High				
	C	Significant				
	D	Low				
	E	Very Low		1		
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	Charges are challenged by judicial review.

10.0 CLIMATE CHANGE

10.1 There are no climate change implications associated with this report.

11.0 CONSULTATION

11.1 No further consultation has been undertaken. The issue addressed in this report has arisen from consultation carried out in July 2015 in connection with a proposal to increase fees.

12.0 WARDS AFFECTED

12.1 All wards may be affected as applications could come from anywhere in the Borough.

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Date: 12th October 2015

Appendices : Appendix 1: proposed fees for 2015/16
Appendix 2 : comparative cost calculations

Background Papers: Report to Committee plus Appendices A and B 3rd June 2015; Report to Committee 2nd September 2015