

Report to Environment and Licensing Committee

Subject: Proposed Taxi Licensing Fees for 2023/24

Date: 24 January 2023

Author: Head of Environment

Purpose

To approve the proposed fees for taxi driver, operator and vehicle licencing for 2023/24 as shown at Appendix 1 (a), subject to advertisement requirements being satisfied. To approve a proposed increase to the general taxi licensing fees for 2023/24 shown at Appendix 1 (b).

Recommendation(s)

THAT:

- 1. Members approve the fees for taxi driver, operators and vehicle licences as detailed at Appendix 1 (a) for 2023/24 for advertisement in accordance with the Local Government (Miscellaneous Provisions) Act 1976, such fees to automatically come into force on 1 April 2023 if no objections are received within the statutory period. If any objections are received within the statutory period that these be referred back to Committee for consideration in accordance with the legislation.**
- 2. Members approve the fees for general taxi licensing for 2023/24 as detailed at Appendix 1 (b) with effect from 1 April 2023.**

1 Background

- 1.1 The fixing of fees proposed in the attached fee schedule at Appendix 1 for 2023/24 is a function of the Environment and Licensing Committee as laid out in the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

- 1.2 On the 18 January 2022 the Environment and Licensing Committee approved the proposed fees, for taxi driver, operators and vehicle licences for 2022/23, go out for advertisement in accordance with the Local Government (Miscellaneous Provisions) Act 197 (the 'Act'). On the 17 May 2022 the Environment and Licensing Committee were informed of the objections received and the changes that had occurred regarding the taxi licensing application process, including moving some services online. It was recommended and resolved that the fees remain at the 2021/22 rate whilst a review of the setting of taxi licence fees and the presentation of the taxi licence budget be undertaken to ensure transparency and to consider the impact of the changes in processes that had occurred.
- 1.3 An internal review of the setting of taxi licensing fees was undertaken which was independently reviewed by the Chartered Institute of Public Finance and Accountancy ('CIPFA'). The review involved an analysis of workflows and associated time analysis to enable the apportionment of service costs to driver, vehicle and operator licences to establish individual memorandum accounts. This incorporated the changes to service delivery method from 2022/23 and provides clearer transparency for future fees setting.
- 1.4 As detailed in the Legal Implications section of the report at paragraph 5.4, the Council cannot make a profit from licence fees and there must be a carry forward of any surplus. There can also be recovery of any deficit. The reconciliation of any surplus and deficit to ensure full cost recovery i.e. a break even position, is over a three-year cycle. The calculations in respect of each type of licence issued by the Council should be kept separate i.e. memorandum accounts.
- 1.5 The Review of Taxi Licence Fee Setting report (an item elsewhere on this Agenda) confirmed that despite the service operating at a financial deficit overall in each year 2016/17 through to 2021/22, the underlying analysis of the memorandum accounts show there has been surpluses on the vehicle licence and operator licence accounts, with the deficit being on the drivers licence account. Whilst it is an option to incorporate the surpluses on vehicle and operator licences and the deficit on driver licences for 2021/22 into the fee setting process for 2023/24 as part of the three-year cycle this is not part of the proposal for the current year. As detailed in the Review of Taxi Licencing Fee Setting, it is the Council's preference that refunds be offered in respect of surpluses for prior years 2016/17 to 2021/22 and that the deficit on drivers licences will not be carried forward. This is because of the effect it would have upon the fees set within the drivers licence regime, i.e. carrying forward the 2021/22 deficit of £74,415 would result in a significantly increased fee. As a result, the trade would experience a sudden increase in fee, having experienced a period of lower fees. From 2023/24 the calculated fees will be in line with anticipated expenditure levels. Any surpluses or deficits arising from 2022/23 will be taken into account when setting fees for 2024/2025 as part of the three-year accounting cycle.

- 1.6 The proposed fees for 2023/24 are attached at Appendix 1. The summary of the budgets and fee calculations on both a full cost recovery basis and the proposed new fees is contained within Appendix 2 which have been calculated employing the methodology determined by the internal review and confirmed by CIPFA and incorporating their recommendations. It has previously been the Council's stated intention to achieve full cost recovery on the taxi licence accounts over time and this remains the objective. The proposed fees at Appendix 1 are based upon latest estimate of the cost of the Taxi Licencing Service provision for 2023/24 as apportioned to the memorandum accounts for each licence type. It should be noted that budgets for 2023/24 have not yet been finalised and are subject to approval by Council in March 2023, however it is not anticipated that there will be any significant changes. This is due to the requirement for fee consultation to be progressed in a timely way and in advance of the Council budget setting meeting. The impact of any budget and expenditure changes will be reflected in the outturn surplus or deficit for the memorandum accounts at the year end to inform future fee setting as part of the three-year accounting cycle. There are some increased costs included in the 2023/24 budget compared to 2022/23, for example, inflationary pressures including pay awards which have been consistently applied to all of the Council's services, which are offset by some reductions in costs due to some aspects of the service moving online.
- 1.7 The calculated fees to achieve full cost recovery for each licence type is detailed in Appendix 2. For Vehicle licences this represents a small increase compared to the 2022/23 rate. For Operator licences a change in the fee structure is proposed which is intended to more accurately reflect the scale of the operations and the associated risk management requirements, in addition to the review of time spent on licence administration. For Operator licences with 1 vehicle this represents an increase for a 1 year licence, for operators with more than one vehicle there is a reduction in fee based on the new proposed fee structure; for 5 year Operator licences there is a small fee decrease from the 2022/23 rate based on a comparative number of vehicles. For Driver licences this would require a significant increase in fee. The review of the past fee setting confirmed that drivers licences were being provided at a deficit i.e. the income received has not covered the cost of providing the licence and has previously received a subsidy from the Council Tax payer. However, as recommended by CIPFA, it is proposed that the new fee level for Driver licences be phased in over time to reduce the impact on licence holders. This means that the service will continue to be subsidised by the Council Tax payer until cost recovery can be achieved either by cost reductions through further changes to service provision or increased fees. The proposed driver fee represent a phased implementation of fee increases over three years to move towards full cost recovery.
- 1.8 The Act permits the Council to set vehicle and operator licence fees, but where this fee exceeds £25, as is the case at Gedling, a public notice of the proposed fees must be advertised in a local newspaper circulating in the district. The advertisement must advise where any objections to the fee changes can be lodged and must allow a period of at least 28 days from publication of the notice for objections to be lodged. If no objections are made or if all objections are

withdrawn the fees come into effect at the end of the 28 day period on the date specified in the notice. Where objections are not withdrawn, the Council must then consider the objections before determining the fee level and setting a further date, not later than two months after the first specified date, on which the new fees shall come into force.

- 1.9 In relation to taxi drivers' licence application fees in Appendix 1 (a), there is no statutory requirement to publicise any changes in the level of fees. However, as with the vehicle and operator licence fees, Gedling will publish details of the proposed fees for 2023/24 and provide for a period of 28 days from publication for any objections to the fees to be lodged with the Council. Any such objections will be considered by the Council before the proposed fees are finally determined. This 28 day period will be a period of consultation, the results of this will be considered before final determination of these fees.
- 1.10 In relation to the general taxi fees at Appendix 1 (b) there is no requirement to advertise any increase in fees and a 5% fee increase is proposed to contribute to cost recovery as part of the memorandum accounts.

2 Proposal

- 2.1 It is proposed that the fees outlined in Appendix 1(a) for 2023/24 be approved for advertisement in accordance with the Act and subject to no objections being received by the specified date (28 days after publication) those fees will come into effect on 1 April 2023. If objections are received, in line with the Act the Council will have to consider the objections and set a further date no later than 2 months after the first specified date on which the new fees would come into force.
- 2.2 It is proposed that the fees outlines in Appendix 1(b) for 2023/24 be approved to come into force from 1 April 2023.

3 Alternative Options

- 3.1 That the fee increase is not approved resulting in the Council not moving towards operating the service at full cost recovery requiring a higher subsidy from the Council Tax payer.
- 3.2 That a lower fee increase be applied to that proposed. A lower fee increase or fee reduction would increase the estimated deficit on driver fees, and introduce an estimated deficit on vehicle and operator licences as these have been proposed to achieve cost recovery, the resulting deficit would then be carried forward as part of the three year accounting cycle and would potentially result in an increased fee for 2024/25. As the ultimate aim is to achieve full cost recovery without a Council Tax payer subsidy and to achieve some stability in fees for licence holders going forward, this option is not recommended.

- 3.2 That a higher fee increase be applied to drivers licence to reduce the estimated deficit and move more quickly towards full cost recovery. A higher increase is not recommended due to the potential impact on licence holders. The proposed phasing in over three years seeks to achieve a fair balance between tax payer subsidy and cost recovery from the licence holder.
- 3.3 The Council could chose not to advertise the driver licence fees as this is not a statutory requirement. This would mean there is no consultation with licence holders which is not recommended given the proposed phasing in of fee increases for this group.

4 Financial Implications

- 4.1 The report sets out the method used when calculating the taxi and private hire fees and charges for 2023/24. The memorandum accounts for driver, vehicle and operator licences, detailing: the estimated costs of service provision by licence type; the calculated fee that would be required to achieve cost recovery based on projected volumes of licences; and the actual proposed fee including the consequent estimated deficit or surplus arising from the proposal to phase in the fee over 3 years is detailed in Appendix 2 and summarised in the table below:

Estimated Taxi Licence Memorandum Accounts 2023/24 – Based on proposed fees detailed in Appendix 1 (Drivers fee increase to be phased in over 3 years)

Projected Budget	Driver Licence £	Vehicle Licence £	Operator Licence £	Total £
Expenditure	223,700	352,800	1,500	578,000
Income	(180,200)	(352,800)	(1,500)	(534,500)
Deficit/Surplus	43,500	0	0	43,500

- 4.2 The Council cannot make a profit and must carry forward any surplus. Any deficit can also be carried forward and can be recovered in subsequent years. Surplus or deficits will be considered when fee setting in future years with the aim of reconciliation occurring over a three year cycle. As detailed in paragraph 1.5 no carry forward of surplus or deficit from 2021/22 is assumed for 2023/24 fee setting, with the Council's preference being to refund the 2021/22 surplus to licence holders. Any surpluses or deficits arising from 2022/23 will be taken into account when setting fees for 2024/2025 as part of the three-year accounting cycle.

5 Legal Implications

- 5.1 Sections 53 and 70 of the Act allow the Council to charge fees for the grant of licences in respect of hackney carriage and private hire drivers, vehicles and operators. The legislation specifies the elements that can be included in the cost of the licence fee.
- 5.2 Section 70 covers the vehicle and operators' licences the Act states that the Council may charge such fees as may be sufficient in the aggregate to cover in whole or in part:
- The reasonable cost of inspecting Hackney Carriages and Private Hire vehicles to ascertain whether any such licence should be granted or renewed.
 - The reasonable cost of providing Hackney Carriage stands.
 - Any reasonable administrative or other costs in connection with the above and with the control and supervision of Hackney Carriages and Private Hire vehicles.
- 5.3 Section 53 of the Act covers the fee for drivers' licences the Council may charge:
- Such fee as it considers reasonable with a view to recovering the costs of issue and administration associated with the grant of Hackney Carriage and Private Hire drivers' licences.
- 5.4 Case law has established that the cost for the enforcement of unlicensed drivers, vehicles or operators cannot be included in the calculation. The Council cannot make a profit from licence fees and there must be a carry forward of any surplus. There can also be recovery of any deficit. The reconciliation of any surplus and deficit is over a three-year cycle. The calculations in respect of each type of licence issued by the Council should be kept separate.
- 5.5 When the Council proposes to set new fees for vehicle and operator licences it is required by Section 70 of the Act to publish notice of the proposed variation in a local newspaper stating that objections may be made within a period of not less than 28 days. If objections are received and not withdrawn the Council must consider them and set a further date on which the variation shall come into force with or without modifications.
- 5.6 There is no statutory requirement for a similar procedure in respect of a proposed variation in the fees for drivers' licences. In practice the Council has given public notice of proposed increases in those fees at the same time as proposed increases in the fees for vehicle and operator's licences, invited objections, and set a date for implementation in the same way.

6 Equalities Implications

6.1 There are no equalities implications arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

7.1 There are no carbon reduction/sustainability implications arising from this report.

8 Appendices

8.1 Appendix 1

(a) - Taxi driver, vehicles and operator proposed fees 2023/24

(b) – General Taxi Licensing fees 2023/24

8.2 Appendix 2 – Summary of Taxi Licencing Budgets and Memorandum Accounts

9 Background Papers

9.1 None

Statutory Officer approval

Approved by the Chief Financial Officer

Date: 19 January 2023

Approved by the Monitoring Officer

Date: 19 January 2023

Proposed Public Protection fees for Taxi Licensing 2023/24

(a) Fees to go out for advert:

Type of Fee	2022/23 (rates unchanged from 2021/22) £	Increase/ (Decrease) £	Proposed 2023/24 £
Taxi Licence			
Driver Licence Fee 1 year	158	48	206
Driver Licence Fee 3 year	409	26	435
Vehicle Licence Fee including inspection fee	247	5	252
Operator's Licence 1 year	117 plus 117 per additional vehicle		No longer proposing this fee structure
<u>Operator Licence 1 year</u> (comparative 2022/23 rates based on the mid-point vehicle numbers based on previous rates)			
1 Vehicle	117	14	131
2-5 Vehicles	351	(151)	200
6-10 Vehicles	936	(565)	371
11-25 Vehicles	2106	(1393)	713
26-50 Vehicles	4446	(3049)	1397
51+ Vehicles	8775	(6113)	2662
Operator Licence 5 year	620 plus 175 per additional vehicle		No longer proposing this fee structure
<u>Operator Licence 5 year</u> comparative 2022/23 rates based on the mid-point vehicle numbers based on previous rates)			
1 Vehicle	620	(89)	531
2-5 Vehicles	970	(97)	873
6-10 Vehicles	1845	(117)	1728
11-25 Vehicles	3595	(157)	3438
26-50 Vehicles	7095	(237)	6858
51+ Vehicles	13570	(385)	13185

(b) Fees not required to go out to advert:

Type of Fee	2022/23 (rates unchanged from 2021/22)	Increase/ (Decrease)	Proposed 2023/24
	£	£	£
Taxi Licence			
Knowledge Test Fee	74	(20)	54
5% Increase:			
Vehicle Re-test (including after accident damage/enforcement action)	58	3	61
Meter Test	42	2	44
Transfer of vehicle licence	16	1	17
Change of name and/or address on a licence	16	1	17
Replacement badge fee	20.50	1	21.50
Replacement paper licence	16	1	17
Replacement plate fee plus plate deposit	58	3	61
Vehicle registration change	16	1	17
Replacement badge holder	7	0	7

Appendix 2

Taxi Licencing - Budget Summary

	Original Estimate 2022/23	Full Cost Recovery 2023/24	Proposed Fee 2023/24
	£	£	£
Expenditure:			
Employee Expenses	113,700	127,700	127,700
Supplies & Services	174,300	165,200	165,200
Central Support	290,800	285,100	285,100
	578,800	578,000	578,000
Income	-554,700	-578,000	-534,500
Net Deficit (Surplus)	24,100	0	43,500

2023/24 Estimated Memorandum Accounts By Licence Type

Full Cost Recovery Basis - Calculated Fee:

Licence Type	Expenditure	Income	Net Deficit/ (Surplus)
	£	£	£
Drivers	223,700	-223,700	0
Vehicles	352,800	-352,800	0
Operators	1,500	-1,500	0
Total	578,000	-578,000	0

Proposed Fee Basis - Phase in over 3 Years:

Licence Type	Expenditure	Income	Net Deficit/ (Surplus)
	£	£	£
Drivers	223,700	-180,200	43500
Vehicles	352,800	-352,800	0
Operators	1500	-1500	0
Total	578,000	-534,500	43500

2023/24 Taxi Licence Proposed Fees using the Fee Setting Model		Current Fees Per Website (exc VAT)	Full Cost Recovery Calculated Fee	Proposed Fee - 3 Year Phase	Difference Between Calculated and Proposed Fee	Notes
		£	£	£	£	

Driver	Driver - 1 Year	158	303	206	(97)	Total Estimated Deficit 2023/24 £43,500
	Driver - 3 Year	409	487	435	(52)	
	DBS Fee	38	38	38	0	
	Knowledge Test	74	54	54	0	

Vehicle	Vehicle inc Inspection Test	247	252	252	0	Estimated Full Cost Recovery 2023/24
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						Estimated Full Cost Recovery 2023/24
Operator	Operator - 1 Year, 1 Vehicle	117	131	131	0	Current Fee based on 1 Vehicle
	Operator - 1 Year, 2-5 Vehicles	351	200	200	0	Current Fee based on 3 Vehicles
	Operator - 1 Year, 6-10 Vehicles	936	371	371	0	Current Fee based on 8 Vehicles
	Operator - 1 Year, 11-25 Vehicles	2,106	713	713	0	Current Fee based on 18 Vehicles
	Operator - 1 Year, 26-50 Vehicles	4,446	1,397	1,397	0	Current Fee based on 38 Vehicles
	Operator - 1 Year, 51+ Vehicles	8,775	2,662	2,662	0	Current Fee based on 75 Vehicles
	Operator - 5 Year, 1 Vehicle	620	531	531	0	Current Fee based on 1 Vehicle
	Operator - 5 Year, 2-5 Vehicles	970	873	873	0	Current Fee based on 3 Vehicles
	Operator - 5 Year, 6-10 Vehicles	1,845	1,728	1,728	0	Current Fee based on 8 Vehicles
	Operator - 5 Year, 11-25 Vehicles	3,595	3,438	3,438	0	Current Fee based on 18 Vehicles
	Operator - 5 Year, 26-50 Vehicles	7,095	6,858	6,858	0	Current Fee based on 38 Vehicles
	Operator - 5 Year, 51+ Vehicles	13,570	13,185	13,185	0	Current Fee based on 75 Vehicles
	Operator - 1 Year Add Vehicle	£117+£117 per additional vehicle	-	-	-	-
Operator - 5 Year Add Vehicle	£620+£175 per additional vehicle	-	-	-	-	No Longer using this Rate

