

Report to Environment and Licensing Committee

Subject: Proposed Taxi Licensing Fees for 2024/25

Date: 23 April 2024

Author: Head of Environment

Purpose

To approve the proposed fees for taxi driver, operator and vehicle licencing for 2024/25 as shown at Appendix 1 (a), subject to advertisement requirements being satisfied. To approve a proposed increase to the general taxi licensing fees for 2024/25 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 2024/25 for advertisement in accordance with the Local Government (Miscellaneous Provisions) Act 1976, such fees to automatically come into force 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 2024/25 as detailed at Appendix 1 (b) with effect from 1 May 2024.**

1 Background

- 1.1 The fixing of fees proposed in the attached fee schedule at Appendix 1 for 2024/25 is a function of the Environment and Licensing Committee as laid out in the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

- 1.2 During 2022/23 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 analyses 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 provided clearer transparency for future fees setting.
- 1.3 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. The balances carried forward at 1 April 2023 were as follows:

Balance @ 1.4.23	£
Drivers licence deficit	46,975
Vehicles licence surplus	(41,823)
Operators licence surplus	(729)

- 1.4 The respective surpluses on vehicle and operator licences, and a proportion of the deficit on drivers licence, will be incorporated into the fee setting for 2024/25 as part of the three-year cycle. The projected year end balances for 2023/24 will also be incorporated into this 2024/25 calculation. Any differences between the actual and projected year-end figures for 2023/24 will be taken into account when setting fees for 2025/26 as part of the three-year accounting cycle.
- 1.5 The proposed fees for 2024/25 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 estimates of the cost of the Taxi Licencing Service provision for 2024/25 as apportioned to the memorandum accounts for each licence type.

There are some increased costs included in the 2024/25 budget compared to 2023/24, for example, inflationary pressures including pay awards which have been consistently applied to all the Council's services. These additional costs

are partly offset by some reductions in costs e.g. the closure of the taxi licensing desk, and improved working practices, has resulted in the recharge from 'Customer Services' reducing.

This reduction in customer services time being spent on taxi licensing can be seen in the tables below:

2023/24:	Hours	Number of Licences	Total Hours	%	%
Driver - 1 Year	4.67	365	1,704.55	25.69	
Driver - 3 Year	5.67	206	1,168.02	17.60	
Knowledge	1	140	140.00	2.11	45.41
Operator - 1 Year	0.59	6	3.54	0.05	
Operator - 5 Year	0.59	1	0.59	0.01	0.06
Vehicle	2.49	1453	3,617.97	54.53	54.53
		2,171	6,635		

2024/25:	Hours	Number of Licences	Total Hours	%	%
Driver - 1 Year	2.84	312	886.08	20.41	
Driver - 3 Year	4.34	176	763.84	14.75	
Knowledge	1	171	171.00		35.16
Operator - 1 Year	0.34	5	1.70	0.04	
Operator - 5 Year	0.34	1	0.34	0.01	0.05
Vehicle	2.33	1440	3,355.20	64.79	64.79
		2,105	5,178		

1.7 The calculated fees to achieve full cost recovery (excluding Driver Licences) for each licence type is detailed in Appendix 1 with associated budgets detailed in Appendix 2. Apart from the number of drivers taking the knowledge test, all other assumed licence numbers to be issued during 2024/25 has fallen. Taken this, the surpluses and deficits from previous years, and budgetary forecasts for 2024/25, the changes from 2023/24 rates can be summarised as follows:

- Vehicle licences - a substantial decrease of -21%.
- 1-year Operator licences with between 1 and 10 vehicles, there is a reduction in fee within the range -2% to -39%.
- 1-year Operators licences in excess of 10 vehicles, there is a small increase within the range 2% to 5%.
- 5-year Operators with between 1 and 5 vehicles, there is a reduction in fee within the range -16% to -29%.
- 5-year Operators licences in excess of 5 vehicles, there is a small increase within the range 0% and 5%.
- Driver licences - to achieve full cost recovery, an increase in fee within the range 3% to 21%.
- Knowledge test – there is a reduction in fee of -11%.

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 represents 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, 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 2024/25 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 approved. 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 (subject to roundings) 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 2024/25 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 June 2024. 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 outlined in Appendix 1(b) for 2024/25 be approved to come into force from 1 May 2024.

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 2025/26. 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.
- 3.3 That a higher fee increase be applied to driver's 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 taxpayer subsidy and cost recovery from the licence holder.
- 3.4 The Council could choose 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 2024/25. 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; is detailed in Appendix 2 and summarised in the table below:

Estimated Taxi Licence Memorandum Accounts 2024/25 – Based on proposed fees detailed in Appendix 1 (Driver's fee increase to be phased in over 3 years)

Projected Budget	Driver Licence £	Vehicle Licence £	Operator Licence £	Total £
2024/25:				
Expenditure	180,800	359,000	2,400	542,240
Income	(185,900)	(288,000)	(800)	(474,700)
2024/25 Deficit/(Surplus):	(5,100)	71,000	1,600	67,540
2022/23 C/fwd	47,000	(41,800)	(700)	4,500
2023/24 projected year-end position	14,200	(29,100)	(800)	(15,700)
Projected Deficit/(Surplus) @ 31.3.25	56,100	100	100	56,300

- 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. The surpluses or deficits arising from 2022/23, and projected for 2023/24, have been taken into account when setting fees for 2024/25 as part of the three-year accounting cycle.

2025/26 is the last year of the first three-year balancing cycle, Drivers Licences forecast an overall deficit at the end of the three years of £56,100. In order to ensure full cost recovery over the three years we would need to significantly increase Drivers Licence fees to an amount which is not deemed to be fair and equitable. Therefore, the Council propose to write of 50% of the 2022/23 deficit of £47,000, which equates to £23,500 and carry 50% over to recover in future years. In addition, the Council has proposed a Digital Data & Technology Strategy for approval which will be expected to deliver a range of efficiencies through the use of technology and reduce costs. We envisage that we will see some reduction in costs over the next three-year cycle which will be used to offset the deficit and further reduce fees to the customer.

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 An Equalities Impact Assessment is attached at Appendix 3.

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 2024/25

(b) – General Taxi Licensing fees 2024/25

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

8.3 Appendix 3 – Equalities Impact Assessment

9 Background Papers

9.1 None

Statutory Officer approval

Approved by:

Date:

On behalf of the Chief Financial Officer

Approved by:

Date:

On behalf of the Monitoring Officer