



Report to Licensing (Regulatory) Committee

Date: 1st February 2023

Title: Taxi and Private Hire Licensing Budget Review and Fees and Charges

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Decision:

That the proposed fees and charges set out at Appendix A are agreed prior to consultation and statutory advertising.

1. Background

- 1.1 Taxi and private hire licensing fees can only be set at levels to recover such costs as are prescribed in law. The Council cannot make a profit from licence fees and any shortfall in revenue, if not met by licence fee payers, must be borne by the Council as a whole. In practice, this means that the costs of the Service should be covered entirely by taxi licensing fee income into the Council. Any surplus or deficit must be carried forward and form part of any subsequent review of fees.
- 1.2 In July 2021 taxi and private hire fees and charges were approved as part of the implementation of a new Taxi and Private Hire Licensing Policy for Buckinghamshire, which came into effect in September 2021. The Licensing Service also went through the Better Buckinghamshire programme in 2021 and new structures for a harmonised Licensing Service, organised by specialism rather than geographical location, came into effect from the 1st September 2021. This created a single taxi and private hire licensing service serving the whole of Buckinghamshire and operating under the new Policy.
- 1.3 Since September 2021 the Taxi Licensing service has delivered Policy changes as well as improvements in systems and processes which have required significant resource to deliver. This has included implementation of the Department for Transport (DfT) [Statutory Taxi and Private Hire Vehicle Standards](#), which were introduced in July 2020 and aim to protect children and vulnerable adults from exploitation. The service has also moved to a single back-office system and redesigned the way that the service is provided. Having undertaken significant implementation and

improvement work, the service is now stable and operating in a business-as-usual fashion.

- 1.4 In July 2021 taxi licensing fees were set based on both a combination of the available legacy district council information on volumes of activity into the services pre the Covid-19 pandemic, and assumptions on how the future harmonised taxi licensing service and Policy would operate. A rolling full-service review of fees is generally carried out every 3 years. However, there were a number of uncertainties and assumptions around service provision at the time that fees were set.
- 1.5 Given this, assurances were provided to the Licensing Committee that a full annual review of taxi licensing budgets and fees and charge would be carried out a year into implementation of the new Policy. This would enable the service to fully understand any surplus or deficit at that point and ensure that any adjustments required could be considered.
- 1.6 This review was carried out between September and December 2022 and this report presents the key findings of that review and the actions that have been taken as a result. It also presents a revised set of taxi and private hire licensing fees and charges to the Committee for approval for statutory advertisement and consultation purposes.

2. Main content of report

Budget review

- 2.1 In July 2021 taxi licensing fees were set based on both a combination of the available legacy district council information on volumes of activity into the services pre the Covid-19 pandemic, and assumptions on how the future harmonised taxi licensing service and Policy would operate, given the new Taxi and Private Hire Licensing Policy and new service structure were yet to be introduced. The methodology used looked at the anticipated steps required for each licence type in order to process, validate, review, and grant or refuse a licence including external cross-check requirements such as Disclosure and Barring Service checks, knowledge tests and mechanical vehicle checks. A time estimate of activity required at each step was carried out based on an understanding of the existing processes and digital systems currently in place and this was combined with the digital development work yet to be implemented, which was underway with the Council's software providers. This information was then considered in relation to historical application volumes, pre-Covid-19, for each licence type as well as staffing costs and direct and indirect costs (as per Local Government (LGA) guidance) associated with the taxi licensing service to arrive at the proposed fee levels. The methodology and approach used had input and oversight from Finance Business Partner colleagues.

- 2.2 A rolling full-service review of fees is generally carried out every 3 years. However, there were several uncertainties and assumptions around service provision at the time that fees were set. These included:
- the longer-term impacts of the pandemic on the licensed trade nationally and locally,
 - how many licence holders may have held more than one legacy district council licence and would now need only one, and the reduction of activity associated with this,
 - how new processes and ways of working proposed as part of the harmonisation of the Service would work in practice,
 - the level of benefit that could be provided by a single back-office system and associated technology.
- 2.3 As required by the Committee a full budget review for taxi and private hire licensing was carried out between September and December 2022, one year on from the introduction of the new Policy, and single service structure and back-office system. The Council's financial accounting period runs from April to March and therefore figures have been extrapolated to cover this period for ease of approach and future reviews. Managers within the service actively monitor and forecast budgets month to month and are therefore aware of, and actively manage, surplus and deficit budgets on an ongoing basis. However, meaningful longer-term conclusions on the overall budget position have to consider income and expenditure over a reasonable period of time alongside data available on future anticipated application numbers over the 1-year (vehicle), 3 year (driver) and 5 year (operator) application cycle. As such a full review at the one-year point was the right and proper approach for budget review.
- 2.4 The high-level budget position for the financial period 2022/23 for the taxi and private hire licensing service is provided below. As predicated remaining legacy Aylesbury Vale area reserve funds were fully utilised within the service in advance of the introduction of the new taxi and Private Hire Policy in September 2021. There are currently no reserve funds held for taxi and private hire licensing.

	Base Budget 2022-23 £	Forecast Budget 2022-23 £	Underspend/Overspend +/- £
Employee Costs	977,057	845,705	-131,352
Running Expenses	80,420	103,089	22,669
Taxi Licensing Income	-1,057,477	-848,596	208,881
Budget Total +/-	0	100,198	Overspend 100,198

- 2.5 Employee costs include salary, pension and national insurance costs. Running expenses include recoverable support services and other costs such as training and professional subscriptions, IT provision, administration, supplies and services. This includes services and supplies for the licensed trade such as the provision of mandatory safeguarding training courses, and vehicle licence plates, door signs and driver badges.
- 2.6 The 2022/23 end of year budget position shows a forecast overspend position of £100k. Vacancies within the service have been proactively managed over several months relative to the ongoing budget forecast position, and as a result there is a 13.5% forecast underspend on employee costs over the 2022/23 period of £131k. However, application income into the services is 19.8% lower than anticipated and therefore the underspend on employee costs does not fully mitigate this budget impact. Additionally, running costs have increased by 28.2% over this period, in part reflecting increased supplier costs.
- 2.7 There are two key factors that are likely to have impacted the level of income into the service since September 2021. The Department for Transport (DfT) [Taxi and private hire vehicle statistics: England](#) 2022 show that nationally the number of licensed drivers has fallen by 9.4% and continues to fall, likely as a result of the 2020 Covid-19 pandemic and drivers ceasing to drive and moving to other forms of employment. It is likely that the licences of some drivers who stopped driving as a result of the pandemic may only be expiring now as they are issued for a 3-year period. This means that driver numbers may start to increase over the next 12 months. In comparison nationally wider economic recovery can be seen more quickly in vehicle licence than in driver licence levels and the statistics show that whilst licenced vehicle numbers also fell by 15.9% in 2021, they have increased slightly in 2022 reflecting the shorter 1-year duration period.
- 2.8 The other key factor that is likely to have impacted the level of income received is that prior to the formation of Buckinghamshire Council on the 1st April 2020, drivers

and operators who wanted to work across more than one of the legacy district council areas would have needed to have held a licence with each of the legacy councils to legally do so. As a consequence of resolutions passed by the Council in April 2021, which created a single administrative area for taxi and private hire licensing purposes, since 6th September 2021 only one licence is required for the respective activities of operator, vehicle and driver. Driver licences are issued for a 3-year period and operator licences for a 5-year period and therefore where multiple licences are held, the licenceholder is able to let older licences lapse and work under the newest licence issued, up to its expiry date. Prior to the harmonisation of the taxi licensing service in September 2021 data was held in 3 different and separate legacy back-office systems. As a result, it was not possible to match datasets in a meaningful way to assess the likely impact of multiple licenceholders, but it is considered that this has been a relevant factor in the reduction in income into the service.

- 2.9 The Council cannot make a profit from licence fees and any surplus or deficit must be carried forward and recovered from the licensed trade over a rolling 3-year period. This means that the forecast £100k overspend at year end for 2022/23 should be recovered across the next 3-year period and the budget and fees and charges review has incorporated this requirement. In order to ensure and sustain a cost neutral budget position where cost recovery adequately funds the service a combination of measures are required. This includes reducing overheads within the taxi and private hire licensing service as far as is possible to reflect current demand levels and increasing fees and charges to the licensed trade. Whilst the Service is mindful of the impacts of an increase in fee levels to the licensed trade, fees must increase to cover the costs of the service, or be borne by the taxpayer.
- 2.10 The taxi licensing service is currently undertaking formal consultation with staff within the service on proposed structure changes which, if implemented as proposed, will reduce salary overheads by £146K. The new structure will be implemented on the 1st May 2023, dependent on the outcome of the consultation (this is an indicative timeline and may change as a result of consultation).

Fees and charges

- 2.11 Fee review should be kept under annual review and a full review should be undertaken regularly and at least every 3 years to ensure that fees and charges are set at an appropriate level. Taxi and private hire licensing fees can only be set at levels to recover such costs as are prescribed in law. The Council cannot make a profit from licence fees and any shortfall in revenue, if not met by licence fee payers, must be borne by the Council as a whole. In practice, this means that the costs of the Service should be covered entirely by taxi licensing fee income into the Council. Any surplus or deficit must be carried forward and form part of any subsequent review of fees.

- 2.12 The relevant legal provisions are set out in the Local Government (Miscellaneous Provisions) Act 1976 ('the Act') and specifically section 53(2) with respect to driver licences and section 70 in relation to vehicle and operator licences, both of which permit the recovery of a reasonable fee for the grant of a licence.
- 2.13 Regulation 2(6) of the Local Authority (Functions and Responsibilities) (England) Regulations 2000 requires that where a charge is made for any such approval, consent, licence, permit or registration, the amount of the charge, is not to be the responsibility of an executive of the authority. As a result, fee setting for taxi licensing is a non-executive function of the Council.
- 2.14 Section 53 of the Act specifies that the costs related to issue and administration of licences can be recovered in driver's licence fees. In respect of vehicle and operator licences, section 70 specifies that the reasonable cost of inspecting vehicles, the reasonable cost of providing hackney carriage stands and any reasonable administrative costs in connection with the foregoing and with the control and supervision of hackney carriages and private hire vehicles can be included in the fees.
- 2.15 Until recently, it was generally thought that the costs of enforcement could not be included in the calculation of fees for driver licences. However, the judgement in the Court of Appeal case of R (app Rehman) v Wakefield City Council [2020] R.T.R. 11 (2019) determined that "administration" can include the cost of enforcement or compliance against licensed drivers. The same principles also apply to the enforcement of vehicles and operators.
- 2.16 Licence fees cannot be used for enforcement activities against unlicensed activities and it is therefore necessary for the cost of enforcement of unlicensed drivers, vehicles and operators to be met out of general funds, and costs awarded following Court proceedings. This work forms a very small part of the overall work of the taxi licensing service with the vast majority of activity directed at the licensed trade.
- 2.17 The general methodology behind the review of fees has been determined by the Act and the document 'Open for business: Local Government Association (LGA) guidance on locally set licence fees'. This guidance has been used as a starting point only because it does not take into account the specific statutory restrictions applicable to taxi and private hire fees and therefore not all the costs listed as recoverable in the guidance have been included in the fees. It was last revised in June 2017 and so also does not take into account the decision in the recent Wakefield case in relation to enforcement costs.
- 2.18 The LGA guidance acknowledges that the EU Services Directive, applicable to most forms of licensing, does not apply in the case of taxi and private hire licensing but the principles, remain helpful. The core principles are that fees should be non-

discriminatory; justified; proportionate; clear; objective; made public in advance; transparent; and accessible.

- 2.19 The LGA guidance draws attention to two important judicial decisions in relation to fees. The first is R (Cummings) v Cardiff [2014] in which the Council conceded that the charges within a licensing regime for different categories of licence should be accounted entirely separately and should not subsidise each other. This means that driver licence fees cannot subsidise vehicle or operator licence fees and vice versa.
- 2.20 The second is R (Hemming) v Westminster City Council [2017]. Strictly speaking this does not apply to taxi and private hire licensing as this case proceeded under the auspices of the EU Services Directive from which transport services are specifically excluded. The principle ruling was that application fees relate solely to the costs of authorisation i.e. reviewing the application and granting or refusing it. Successful applicants should subsequently be charged an additional fee relating to the costs of on-going maintenance and enforcement. Whilst this is not necessarily applicable to taxi and private hire licensing it would be prudent to bear in mind the principle and might inform the Council's refund policy in respect to unsuccessful applications.
- 2.21 The LGA guidance acknowledges that Councils are free to design their licensing service in a manner that best serves the needs of their community and recover the costs accordingly. It provides a number of elements that Councils may wish to consider. These include administration, visits, third party costs, liaison with interested parties, management costs, local democracy costs, staffing on-costs, development, determination and production of licensing policies, web material, advice and guidance, setting and reviewing fees, monitoring and inspection visits and maintaining statutory registers.
- 2.22 A comprehensive review of the cost of delivering taxi licensing services has been carried out as part of the recent service budget review and new fees are proposed that reflect both the full staffing costs of running the service, as well as the support service costs, with likely pay award and inflationary uplifts. As required, this review has factored in recoverable costs incurred by the Council such as IT provision, administration, supplies and services etc. It does not include Freedom of Information requests, Data Protection Act requests or activity related to unlicensed drivers, operators or vehicles. A fee schedule of the proposed fees and charges is provided at Appendix A.
- 2.23 Where the fee pays for a service provided to the Council by a supplier, such as DVLA checks, safeguarding training or a physical item such as a plate or bracket for a vehicle, this has been factored into the fee. Supplier costs to the Council can vary subject to wider market pressures and contract costs and are generally increased annually to reflect this. This means that these costs to the Council will be considered annually and, where required, fee and charge updated to directly reflect these

increased costs. This will not require a formal approval process. Fees which are paid by the applicant directly to an external supplier for services required as part of the application or licensing process, such as medical examinations and testing for driving standards and English language, have not been included.

- 2.24 In arriving at the proposed fee levels, Officers considered the steps required for each licence type in order to process, validate, review, and grant or refuse a licence including external cross-check requirements such as Disclosure and Barring Service checks, checks with other authorities, knowledge tests and mechanical vehicle checks. A time estimate of activity required at each step was carried out based on an understanding of the existing processes and digital systems in place since the new Policy and harmonised service was implemented. This information was then considered in relation to application volumes received over the previous 15 months, as well as data held on licences due to renew over the next 3 years for each licence type. Future staffing costs and direct and indirect costs (as per the LGA guidance) were also considered in order to arrive at the proposed fees and charges. The methodology and approach used have had input and oversight from Finance Business Partner colleagues.
- 2.25 A benchmarking exercise was carried out of current fee levels charged by neighbouring local authority areas (12) and this is attached as Appendix B. A comparison of the proposed fees against the current average fee charged across the neighbouring local authorities is attached as Appendix C. Fees charged by Transport for London (TfL) have been excluded from the calculation of average fees charged because they are not comparable in terms of scale and operation, although TfL fees have been provided for information purposes.
- 2.26 Benchmarking shows that the majority of these authorities have reviewed and increased their fees since benchmarking was last carried out in 2021. This is good practice but also likely to have been influenced by the introduction of the Statutory Standards in July 2020 and associated workload activity. It is common for local authorities to exclude some pre-requisite qualifications and checks e.g., English language tests, knowledge test from a driver fee but the approach to this is not consistent and therefore direct comparisons are not always reliable. In comparison to the average driver fees charged by neighbouring local authorities, benchmarking indicates that while proposed driver fees will increase from current levels, they remain cheaper at first licence for both private hire, hackney carriage and dual licence applicants. The level of activity carried out within the Service for renewal applicants is comparative to that for new drivers and therefore the fee charged is consistent for both and proposed renewal fees are higher than the average fee across our neighbouring authorities but remain lower than some at an individual level. When the proposed fee is considered over the 3-year licence duration period, the annual cost for a driver licence would be £120.

- 2.27 Vehicle licensing and enforcement activity is the largest sector of work undertaken by the service and the Council has a robust enforcement plan in place which includes enforcement at large events throughout the district, monitoring school contract runs at start and end of the school day alongside the Client Transport Compliance team, joint operations with Thames Valley Police, plying for hire test purchase exercises, Equalities Act compliance monitoring and regular out of hours town centre and rank enforcement activity. The service also investigates and act on complaints related to licensed vehicles (as summarised in the regular enforcement reports provided to the Committee). When vehicle fees were set in 2021 there were some uncertainties about how this element of the service would operate in practice under the new Policy. The new Policy introduced additional public safety requirements around vehicle licensing including DBS vetting of applicants, checking each application to ensure that the vehicle presented for licence is not a Category S vehicle (a vehicle that has previously suffered structural damage severe enough to have affected the structural integrity of the vehicle) as well as complexities relating to differing grandfather rights as a result of the previous 4 area policies in place and different requirements for age limits of vehicles.
- 2.28 In addition, vehicle testing arrangements have been reprocurd across the whole county area and a consistent and robust approach is taken with all vehicles that fail an MOT which aims to ensure a high standard of licensed vehicle for the travelling public. Vehicles that fail an MOT have their licences suspended in the majority of cases, until the vehicle is roadworthy and compliant with Policy requirements at which point the licence is reinstated. Officers run training workshops for approved testing centres and routinely visit testing centres to ensure adherence to standards. The licence fees set in 2021 were low and are not sufficient to adequately cover the cost of this activity and should increase across the board. In comparison to the average vehicle fees charged by neighbouring local authorities, the proposed fees are more expensive for new private hire and marginally more expensive for renewal private hire licences but cheaper for both new and renewal hackney carriage licences.
- 2.29 Since the introduction of the new Policy the activity undertaken around operator licences has increased significantly. As a result of the new Policy, operator applications are subject to more scrutiny and vetting with a far higher degree of consistency than was the case across the legacy areas. This includes more thorough DBS checks on applicants, including all company directors, greater scrutiny of staff working within the private hire company including DBS checks and employment policies to ensure suitability, review of lease arrangements for vehicles, and background checks with other local authorities and partners e.g. Police and fraud investigation teams. The service undertakes greater frequency of engagement and enforcement with operators to ensure that Policy requirements are understood and

applied. This includes an initial inspection on first application followed by an annual review/visit. The service also investigates and act on intelligence and complaints related to licensed vehicles (as summarised in the regular enforcement reports provided to the Committee).

- 2.30 The licence fees set in 2021 were low and are not sufficient to adequately cover the cost of these activities and should increase across the board. In comparison to the average operator fees charged by neighbouring local authorities, the proposed fees are cheaper for operators with one vehicle and 10-50 vehicles but more expensive for operators with less than 10 vehicles or more than 50 vehicles (currently the Council does not licence any operators with more than 50 vehicles). Despite being more expensive than the average, operator fees remain lower than some of our neighbouring local authorities at a local level with Milton Keynes, Windsor & Maidenhead and Thee Rivers charging consistently higher fees and central Bedfordshire and Slough charging at a higher rate for some fee bands. When the proposed fee is considered over the 5-year licence duration period, the annual cost for a new operator with one vehicle would be £114. For a new operator with less than 10 vehicles the annual cost would be £223.60 and for a new operator with 10-50 vehicles the annual cost would be £370.80.
- 2.31 Whilst the Service is mindful of the impacts of an increase in fee to licensed drivers, the legislative framework on cost recovery and the increased activity associated with the implementation of the new Policy and Statutory Standards means that fees must increase. The legislation does not require the Council to make a precise calculation so as to arrive at an income which exactly meets the cost of the administration of the various licences. However, Councils are required to take a reasonable and proportionate approach and should aim to set a fee level that is sufficient to cover the cost but not make a surplus or deficit.
- 2.32 Given the uncertainties around the wider economy and the trends on driver and vehicle numbers reported within the Taxi and private hire statistics: England data it is proposed that the taxi and private hire licensing budget and fees and charges position is reported to Committee in Q4 of 2023/24, providing the opportunity to ensure that the position is as anticipated at that. In addition to this, the fees and charges will be reviewed annually in relation to any increase in RPI and where appropriate an increase will be applied to the fee to recover related increased costs to the Council. The Government are currently reviewing RPI and may replace it with another inflationary measure. If this is the case an annual increase in relation to any new measure prescribed, where appropriate, will be applied as a minimum to the fee to recover related increased costs to the Council.

3. Next steps and review

- 3.1 If approved, the proposed fees will be subject to a full consultation process with the licensed trade and other relevant parties. Section 70 of the Act sets out statutory advertising requirements in relation to vehicle and operator licences which require that an advert must be published within a local newspaper and at least 28 days provided for comments to be made. It is proposed that this consultation period will begin during February 2023. The licensed taxi and private hire trade will be made aware of the consultation and how to feed in via email and SMS as well as through the quarterly [Taxi and Private Hire Newsletter](#).
- 3.2 Following the statutory consultation process, a further report will be presented to this committee at the next meeting on 11th April 2023, setting out the results of the consultation and any amendments made to the proposed fees as a result.
- 3.3 If approved, the final proposed fees will take effect across the whole Council area from 12th April 2023.
- 3.4 Fees will be reviewed annually, and further reports will be provided to this committee following review.

4. Other options considered

None. Taxi fees should be cost neutral, and a reasonable fee must be charged to cover the cost of the service. Legally the Council cannot make a profit from taxi licensing.

5. Legal and financial implications

Sections 53 and 70 of the Act allow for the recovery of a reasonable fee for the grant of a driver, operator and vehicle licence. The fees must be set at a level which ensures that the Council does not make a profit and any deficit or surplus should be taken into consideration in subsequent fee reviews, to be recovered or refunded over a rolling three-year cycle.

6. Corporate implications

- 6.1 Protecting the vulnerable – The licensed trade provides an important service transporting members of the public, some of whom are vulnerable due to their age or for other reasons. Taxi fees should be set at a level which ensures that all necessary checks and testing can be carried out to ensure that new applicants are “fit and proper” to hold a licence, and for compliance checks and appropriate enforcement measures to be undertaken with existing licence holders where required.
- 6.2 Property – N/A

- 6.3 HR – N/A
- 6.4 Climate change – the legislative framework is such that it is difficult for Councils to incentivise the use of environmentally friendly vehicles through reduced fee levels as the costs associated with processing and administering a vehicle licence are the same. In effect a reduced fee would mean that other vehicle licence holders were subsidising the use of these vehicles. The Policy instead incentivises the use of less polluting vehicles through the provision of extended vehicle age limits.
- 6.5 Sustainability – N/A
- 6.6 Equality – A full equalities impact assessment was carried out for the Taxi and Private Hire Licensing Policy in 2021. An EQIA screening assessment has been carried out to accompany this fee review.
- 6.7 Data – N/A
- 6.8 Value for money – while the paramount consideration is passenger safety, the Licensing Service has ensured that the costs involved in delivering the service are kept to a minimum and that savings are made where possible.

Key documents:

DfT Taxi and Private Hire Vehicle Licensing: Best Practice Guidance 2010

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212554/taxi-private-hire-licensing-guide.pdf

“Open for Business”, LGA Guidance on locally set fees:

<https://www.local.gov.uk/open-business-lga-guidance-locally-set-licence-fees>