



Report to Licensing (Regulatory) Committee

Date: 27th February 2024

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

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Recommendation:

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 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. This review was carried out between September and December 2022 and showed an adverse forecast position for the 2022/23 period of £100k. The main reasons for this were a reduction of application income into the service as a result of the longer term impacts of the Covid-19 pandemic and the alignment of legacy

council licensing arrangements, which meant that licence holders who may have previously required more than one licence to work across Buckinghamshire, now only required one.

- 1.4 A revised set of taxi and private hire licensing fees and charges were presented to the Committee in January 2023 which were set at such a level to return the service to a cost neutral position over the following three financial rolling years. These fees were approved for statutory advertisement and consultation purposes and were subsequently approved by the Committee in April 2023 for implementation.
- 1.5 Given the uncertainties at the time around the wider economy and the national trends on taxi and private hire driver and vehicle numbers following the impacts of the Covid-19 pandemic, it was proposed that the taxi and private hire licensing budget position be reported again to the Committee in Q4 of 2023/24. This would provide the opportunity to ensure that the budget position was as anticipated at the time that the fees and charges were set, and that the service had maintained a cost neutral position. It would also provide an opportunity to carry out the annual review of fees and charges for the following year (2024/25) in relation to any increase in RPI that may be required to recover related increased costs to the Council.
- 1.6 This report provides the Committee with the projected budget position for the 2023/24 financial period and proposes a 4% uplift is applied to fees and charges for the 2024/25 period to ensure that the service remains cost neutral to the Council.

2. Main content of report

Fees and charges – legislative framework

- 2.1 Taxi and private hire fees 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.
- 2.2 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.
- 2.3 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 and decisions are taken by the Licensing Committee.

- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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.

- 2.10 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.
- 2.11 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.

Annual review of fees and charges 2023/24

- 2.12 An annual review of the cost of delivering taxi licensing services has recently been carried out. 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.
- 2.13 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.
- 2.14 Where the fee pays for a service provided to the Council by a supplier, such as DVLA checks 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, fees and charge updated to directly reflect these increased costs. Fees that are paid by the applicant directly to an external supplier for services required as part of the application or licensing process, such as safeguarding training medical examinations and testing for driving standards and English language, have not been included.

- 2.15 Annually the Department for Transport (DfT) publish taxi and private hire vehicle statistics for England. The 2023 statistics show that between 31st March 2022 and 1st April 2023 the total number of licensed vehicles and drivers in England both increased compared with the previous year but remain below pre-pandemic (2020) levels. Recovery rates for licensed vehicles have been greater than for drivers likely reflecting the shorter 1-year licence duration period. In England (outside of London) the number of licensed vehicles increased by 12% between 2022 and 2023 and the number of drivers by 8%. The Service actively considers this data when reviewing fees and charges.
- 2.16 In arriving at the proposed fee levels, Officers have also considered any changes to processes and changes of operational approach since the full budget review in 2022/23. This information has been considered against anticipated application volumes (new and renewal) for the 2023/24 period and for the 2024/25 period for each licence type. Future staffing costs and direct and indirect costs (as per the LGA guidance) have 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.
- 2.17 The high-level projected budget position for the financial period 2023/24 for the taxi and private hire licensing service is provided below:

	Budget 2023-24 £	Forecast Budget 2023-24 £	Under/Overspend +/- £
Employee Costs	968,221	975,694	7,473
Running Expenses	128,405	153,399	24,994
Previous Year Deficit	33,000	33,000	0
Taxi Licensing Income	-1,129,626	-1,178,546	-48,920
Estimated Actual Total +/-	0	-16,453	-16,453

- 2.18 Employee costs include salary, pension, national insurance & redundancy costs as well as agency staff and/or consultancy 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 DVLA and HMRC checks and vehicle licence plates, door signs and driver badges.
- 2.19 Forecast application income into the service is projected to be slightly higher than budgeted and likely reflects the gentle recovery of the licensed trade post-pandemic as per 2.15. Running costs and staffing costs have increased in line with this and are offset by the additional income received.
- 2.20 The projected end of year position for 2023/24 indicates that the full review of fees and charges that was carried out between September and December 2022 was accurate. The resulting increases to fees and charges applied in April 2023 were appropriate and have achieved a balanced position. The Service has also been able to contribute the required percentage for this period to offset the £100k deficit at end of year in 2022/23. The forecast is that the outturn position will be £16k positive at end of year. This amount will be held in reserve funds and used to offset any additional spending pressures such as software/application changes and development and legal fees. Any remaining reserve funds will be reviewed as part of the annual fee review and considered fully within the rolling 3 year full review cycle so as to ensure the Council is maintaining a cost neutral position and not making a profit or surplus.
- 2.21 To maintain an assured cost neutral position for 2024/25 it is proposed that a 4% increase is applied to all taxi and private hire fees and charges. Whilst corporately, across the wider organisation, fees and charges are generally proposed to increase by 7% (where the Council is able to set them), services like taxi and private hire licensing, that operate on a full cost recovery basis, are able to apply a lower percentage increase where the data and financial forecasting indicates it is appropriate to do so. Corporate finance has provided indicative guidance to services that a 4% increase may be appropriate in this scenario, and this has been considered, alongside comprehensive data evaluation, when proposing the new fees and charges levels.
- 2.22 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 for 2024/25 against the current (or proposed) 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.

- 2.23 Benchmarking shows that Milton Keynes Council, Dacorum Borough Council and Wokingham Borough Council have reviewed their fees and charges since we last benchmarked against them, with increases proposed for 2024/25. When benchmarking was previously carried out in December 2022 most authorities had reviewed and increased their fees since previous benchmarking 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 increased workload activity.
- 2.24 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 very slightly 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 £123.
- 2.25 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). The Taxi and Private Hire Licensing 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.
- 2.26 In addition, vehicle testing arrangements have been reprocured 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. In comparison to the average vehicle fees charged by neighbouring local authorities, the proposed fees are very marginally (2%) more expensive for new private hire licences but cheaper for private hire renewal and both new and renewal hackney carriage licences.

- 2.27 Since the introduction of the Taxi and Private Hire Licensing Policy the activity undertaken around operator licences has increased significantly. Operator applications are subject to high levels of scrutiny and vetting. This includes thorough DBS checks on applicants, including all company directors, 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 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).
- 2.28 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. Despite being more expensive than the average for some fees, operator fees remain lower than some of our neighbouring local authorities at a local level with Milton Keynes, Windsor & Maidenhead and Three 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 £119. For a new operator with less than 10 vehicles the annual cost would be £233 and for a new operator with 10-50 vehicles the annual cost would be £386.
- 2.29 Whilst the Service is always mindful of the impacts of an increase in fee to licensed holders, the legislative framework on cost recovery means that fees should increase if the service is to remain cost neutral to the Council. 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. The increase of 4% to fees and charges is both reasonable and proportionate when considered against the wider economic context.

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 March 2024. 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 16th April 2024, 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 22nd April 2024.
- 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. The Budget and forecast position for taxi and private hire licensing is provided above at 2.17. Given that taxi and private hire licensing is required to be cost neutral by law there are no impacts on the Councils medium term financial plan.

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:

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

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