

**Committee: LICENSING**

**Agenda Item**

**Date: 8 September 2010**

**7**

**Title: LICENSING FEES**

**Author: Michael Perry, Assistant Chief Executive,  
01799 510416**

Item for decision

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## Summary

1. This report is to inform members of the current position regarding licensing fees and to seek member's approval of a new fee structure to deal with previous surpluses.

## Recommendations

2. That members approve a phased reduction of the surplus over a 3 year period and the proposed licensing fees set out in this report.

## Financial Implications

3. The estimated cost of implementing the recommendations is £138,000 spread out over a 3 year period and is included in the budget.

## Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
  - Internal memoranda summarised within this report.

## Impact

5.

Communication/Consultation	The proposals contained in this report have been discussed and agreed with leading members of ULODA.
Community Safety	None.
Equalities	None.
Health and Safety	None.
Human Rights/Legal Implications	The council is entitled to recover the cost of running the licensing service but ought not to make a profit. It is therefore necessary to ensure that costs and income balance

	out over a period of time.
Sustainability	None.
Ward-specific impacts	None.
Workforce/Workplace	None.

## Situation

6. After lengthy negotiations between members of the trade and officers a method of calculating licensing fees was agreed in November 2009. Following that agreement a report was produced to the committee at an extraordinary meeting in December when a revised fee for drivers of hackney carriages and private hire vehicles was introduced. The fees for vehicles (£170 per annum) and operators (£80 per annum) remained unchanged.
7. Since 2006/7 surpluses of income over expenditure for licensing have been identified. These sums are as follows:

2006/7	£19,000
2007/8	£13,877
2008/9	£55,062
2009/10	£50,000
Total (rounded)	£138,000

If this surplus were to be eradicated over a 3 year period this would give an offset against costs of £46000.00 per annum.

8. Using the methodology agreed with the trade in 2009 the cost of provision of the service in the year 2009/10 amounted to £157,882. This figure needs to be subject to certain adjustments in order to form a basis of calculation. The first of these is to deduct £15,341 in respect of the costs of CRB checks. These costs are shown in the accounts as an expense to the council but are recouped directly from members of the trade when applying for a new or a renewed licence. The cost of the CRB checks should not therefore be taken into account for the purpose of this exercise. In the year 2009/10 the council incurred counsel's fees of £12,733 in respect of one legal case. This is an exceptional sum unlikely to be repeated in the foreseeable future. I therefore deducted that figure from the costs for the year as being an exceptional item but added back in £2,000 as being a reasonable provision for external legal services which may be required. I have also deducted the proposed proportion of the surplus of £46000.00 giving total costs of operating the service of £85808.00.
9. I consider a proposed 3 year reduction of the surplus justified for a number of reasons. Although the threat of judicial review referred to last year has

probably abated there remains a possible challenge from other sources. Further a disproportionate number of vehicles and drivers' licensed by the council are dependent upon schools contracts and special needs contracts. In the current economic climate those authorities providing those services will be looking to see how they can cut costs and it is probably that school contracts will be an area under review. It is desirable to have a buffer in the event there were to be a sudden drop in the number of licences issued in order to ease the burden upon both the trade and the authority. Finally, it is inevitable that the cost of providing the service would increase with inflation. Although there is currently a public sector pay freeze, other costs will increase with inflation and the pay freeze will not last indefinitely. In the circumstances I consider the proposals put forward will in practical terms lead to an eradication of the deficit in less than 3 years and the proposal represents a proportionate response. The Assistant Chief Executive – Finance has confirmed that this approach accords with the council's medium term financial strategy.

10. The council currently licenses 813 drivers, 649 vehicles and 88 operators. It has been agreed with ULODA that there should be reductions in all licence fees to secure a reduction in the surplus to zero over a three year period and that the appropriate fees for the various licenses issued by the council to achieve this aim is:-

Licenses for drivers of hackney carriages, private hire vehicles and joint licences	£40.00
Licenses for private hire vehicle operators	£60.00
Licenses for hackney carriages and private hire vehicles	£70.00

11. This proposal will produce an income in a 12 month period of £83230.00. This is slightly less than the adjusted costs figure referred to above but the difference is not considered significant.

12. I would suggest that the proposed reduction in fees for drivers should take effect from 1 October 2010 as by the time this committee meets to consider this proposal all renewals due for September should have taken place. However the proposed change in fees for vehicles and operators will need to be advertised for a period of 28 days before they can be effective and in the event that representations are received, members will need to consider those and re-advertise before any change in fee can be effective. Subject to no representations being received it is proposed that the revised fees for vehicles and operators should apply to all licenses issued after 14 October 2010.

## Risk Analysis

13.

Risk	Likelihood	Impact	Mitigating actions
Fee levels are set too high.	1, the trade appears to be thriving at the current level of fees and any reduction can therefore only be for the trade's benefit.	3, there could be insufficient hackney carriages and private hire vehicles to meet the demand within the district.	Other than setting an appropriate level of fees, none required.
Fee levels are set too low.	2, there is sufficient surplus to cover a loss in year 1 should this arise.	3, any loss over and above the surplus would need to be made from the general fund and there is no budget for this.	That the level of licensing fees should continue to be monitored on an annual basis to ensure that the council remains on course to eradicate the surplus of income over expenditure within a 3 year period.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.