

Committee: Extraordinary Licensing Committee

Agenda Item

Date: 12 August 2015

2

Title: **Fees for Drivers, Hackney Carriage and Private Hire Vehicles and Private Hire Operators**

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Item for decision

Summary

This report is to recommend that members adopt a new fee structure for licences relating to hackney carriage and private hire trades with effect from the 1 October 2015.

Recommendations

1. That save where the circumstances of an individual application warrant the grant of a licence for a lesser period licences for drivers of hackney carriages and private hire vehicles shall with effect from 1 October 2015 be of three year duration.
2. That save where the circumstances of an individual application warrant the grant of a licence for a lesser period licences for private hire operators shall with effect from the 1 October 2015 be of five year duration.
3. That members set a fee for drivers licences at a figure of £140 for the grant of a new three year licence and at £129 for the renewal of a three year licence.
4. That where the circumstances of an individual application warrant the grant of a driver's licence for a lesser period than three years that the licence fee be £80 for the grant of a one year licence or £110 for the grant of a two year licence or £69 for the renewal of a licence for one year or £99 for the renewal of a licence for two years.
5. That members set the fee for an operator's licence at £350 for the grant of a new five year licence and £346 for renewal for a period of 5 years.
6. That members set the fees for vehicle licences (both hackney carriages and private hire vehicles) at £50 for the grant of a new one year licence and £42 for the renewal of a licence for one year.
7. That the fees for operators and vehicle licences be advertised and in the event that no representations are received they shall be effective with effect from 1 October 2015.
8. That the fee for the transfer of a licence from one vehicle to another be set at £23.
9. Drivers renewing their drivers licences during the period commencing on 1 October 2015 ending on 30 September 2016 be given a rebate of £20 against the licence fee.

Financial Implications

10. As set out in the body of this report.

Background Papers

11. 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.

Figures produced by the Service Accountant (copies attached).

Impact

12.

Communication/Consultation	A meeting has been held with representatives of the Hackney Carriage/Private Hire trades and all members of the trade have been invited to comment upon this report in draft form
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	As set out in the body of this report
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

13. As has been previously reported to members the Deregulation Act 2015 amends the basis upon which licences for drivers and operators may be granted. Under the Local Government (Miscellaneous Provisions) Act 1976 prior to amendment whilst the default option was for drivers licences to be issued for a period of three years and operators licences to be issued for a period of five years Local Authorities had an unfettered discretion to issue licences for a shorter period if they considered it appropriate. Uttlesford District Council along with the majority of councils issue both drivers and operators licences for one year only. The effect of the Deregulation Act is to remove that discretion. From 1 October 2015 licences must be granted for three years for drivers and five years for operators unless the circumstances of any particular case warrant otherwise. Exceptional circumstances may occasionally make it appropriate to issue a driver's licence for less than three years. I cannot conceive of circumstances where it would be appropriate to issue an operator's licence for less than five years.

14. In setting licence fees Local Authorities are entitled to recover their costs but should not make a profit. To achieve this year on year is difficult. Inevitably in some years

there will be surpluses and in other years there will be deficits. However, the council ought to manage its licence fees in such a way that over a period of time it achieves break even status.

15. Certain costs associated with licences relate only to the work involved in issuing the licence document either on first application or on subsequent renewal. However, there are other costs which are incurred during the life of a licence which need to be recovered as part of the licence fee.
16. In 2010 it was discovered that there was a surplus of income over expenditure for licensing for the period between the financial year 2006/07 until September 2010 in the sum of £138,000. In order to redress the balance and bring the council back to a break even position following negotiations with representatives of the trade licensing fees were reduced to £70 for a vehicle, £60 for a Private Hire operator and £40 for drivers. These fees would not cover the cost of providing the service and it was anticipated at that stage that the reduced fee structure would see the surplus eradicated within a period of three years.
17. Due to the fact that the number of licences issued by this council has increased year on year the surplus was not eradicated within three years as originally planned. As at the end of the financial year 2014/15 the balance on the licensing reserve stood at £30,374. Table F attached refers.
18. Until now the basis of calculation of the cost of the licensing service has been based on the cost of the licensing team plus recharges from support services throughout the council. Whilst this is a legitimate method of calculation and indeed is adopted by many authorities throughout the country current best practice guidance is that the fee should be calculated in respect of each individual licence depending upon the time and resources it takes to carry out the various functions required. Officers have therefore broken down the work involved in dealing with licences in to their various component parts, analysed the amount of time spent on each item and the level of officer concerned in carrying out those functions and by applying the hourly rate to those members of staff have arrived at licence fees for drivers, vehicles and operators. These costs are the basis of the fees referred to in table B2.
19. The original calculation prepared by officers indicated a higher fee in respect of drivers licences than that now shown on table B2. During our consultation with representations of the trade it was pointed out that whilst a licence will be issued for three years there is no guarantee that a driver will continue to drive in the district for that period of time. With regard to drivers who do not stay for three years the costs involved in years two and three potentially will not be incurred. However, the operator is likely to replace drivers who leave with new drivers who would be paying the fee for a new licence for a fresh three year period. Representatives of the trade refer to this as "churn". An examination of licensing records shows that 10% of licenced drivers fail to renew their licences annually. Assuming the drop-out rate to be 10% per annum this has the effect of reducing the proposed fees for drivers both on new application and upon renewal to the level now shown in Table B2.
20. As the council is now obliged to move to three year licences for drivers this is an appropriate time to deal with the remainder of the surplus on the licensing reserve. Officers consider it only right that new applicants should not benefit from this reserve as they have not contributed to it. The proposal is therefore that existing drivers who

apply to renew their licences between 1 October 2015 and 30 September 2016 should receive a £20 rebate against the licence fee. This will have the effect of eradicating the licensing reserve.

21. The proposal shows a decrease in fees for vehicles. The fees for drivers are higher but for those renewing is just over three times the current annual fee (but £11 lower than three times the current annual fee in 2015/16 if members agree the rebate suggested). Operators' fees are slightly more than 5 times the current annual fee. The current split of the fees (£70 vehicles, £60 operators and £40 drivers) was the split requested by representatives of the trade when the current fees were set in 2010. As the council was then working on a recharge basis it was not relevant to the council how the fees were split and officers were happy to go along with the trade's suggested levels. The proposed new method of calculating fees i.e. time spent/work done basis is more equitable but does mean it cannot be related back to the previous fee structure. It should be remembered that the previous fee structure did not cover the council's costs. The licensing reserve was reducing year on year and that at the stage when this had been exhausted (in all probability during 2015/16) a general increase in licence fees would be inevitable.
22. It is also worth pointing out that if a driver and vehicle were to be licenced together then for drivers renewing between October 2015 and September 2016 the total expenditure for the three year period is £95 less than the current annual licence fees for drivers and vehicles over the same period.
23. Although the operators fees for a five year period are more than five times the current annual fee level an operator with two or more vehicles will be financially better off over a five year period.
24. In general therefore whilst it must be acknowledged that the trade will experience cash flow issues by paying for three and five year licences the total costs over three/five years are less than would be incurred over a three/five year period at the current annual rates.
25. It is not legitimate to set fees based upon what other Local Authorities charge. However, it is reasonable to look at other Local Authorities licensing fees as a check to see if the council's proposals are reasonable. Officers have carried out research on the websites of other Licensing Authorities. Of those councils currently issuing three year licences the charges are Brentwood £355, Castle Point £310, Chelmsford £130, Colchester £200, Rochford £140 (£160 for a new licence), South Cambs £199. Southend £350 (plus £53 if the licence is joint Private Hire/Hackney Carriage and Tending £274. With the exception of South Cambs who charge £120 for a vehicle licence, vehicle licences range between £225 per annum and £856 per annum with the majority being between £300-400. With regards to operators licences some councils have a sliding band of fees depending upon the number of vehicles licenced. Based purely upon cost recovery it is difficult to see how this can be justified. Fees range from £80 per annum (Rochford for an operator with one vehicle only with the fee level increasing to £200 per annum for large operators) to £2410 (Harlow for a large operator).
26. Uttlesford has consistently been the cheapest licensing authority in Essex and in all probability will continue to be so. The council's policy of not licensing vehicles which will be predominantly used outside of the district (based upon the High Court decision

in R (Newcastle Upon Tyne) v Berwick) should ensure that the council is not subject to applications from operators from outside the district wishing to take advantage of our cheaper fees even when cross border subcontracting is permitted.

27. There is no requirement for drivers fees to be advertised. The Local Government (Miscellaneous Provisions) Act 1976 does however require that notice of the operators and vehicles fees should be published in at least one local newspaper circulated in the district stating the period within which objections can be made. At least 28 days must be allowed. If no objections are received within that period then the fees take effect at the expiration of that period. If objections are received then members will need to meet to consider the same and must then set a further date (not being later than two months after the first) on which the variation to fees will come into force with or without modification.

Risk Analysis

28.

Risk	Likelihood	Impact	Mitigating actions
Fees are set at a level in excess of that required to cover the cost of the Licensing Authority	1 – in preparing the proposed fees officers have kept costs to an absolute minimum	2 – a surplus would be generated which could be countered by a reduction in fees in future years	Fees are kept under constant review and adjusted as necessary
Fees are set at a level lower than that required to cover the cost of the Licensing Authority	1 – the new method of calculating the fee on a per licence basis should mitigate against this. Instead of the service recovering its costs from the trade it will in future be necessary for the service to be managed so that it is provided within the budgeted income	1 – the fact that the council is effective in recovering 3/5 years expenditure “upfront” should enable adjustments to be made without the necessity of calling upon the general fund to meet any shortfall	Fees are kept under constant review and adjusted as necessary

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.