

# LICENSING REGULATORY COMMITTEE

## Proposed Licensing Fees 2016/17 24th March 2016

### Report of Licensing Manager

#### PURPOSE OF REPORT

The report is to enable Members to consider the level of fees to be charged for 2016/17.

**This report is public.**

#### RECOMMENDATIONS

- (1) **Members are recommended to approve an increase in the fees for hackney carriage and private hire licence fees for 2016/17 as set out in Appendix 1 and to authorise Officers to advertise the proposed increases for vehicle and operator licences in accordance with the statutory requirement.**
- (2) **Members are recommended to approve an increase for miscellaneous licence fees for 2016/17, as set out in Appendix 2.**
- (3) **Members are requested to approve the payment of the initial operator's licence and driver's licence renewal following the introduction of the new fees structure in 2 annual instalments.**

#### 1.0 Introduction

- 1.1 The report is concerned with the setting of the licence fees for Hackney Carriage and Private Hire licences and miscellaneous licences issued by the Council. The setting of such fees is by law a non-executive function, and therefore a matter for this Committee. As Members will be aware, licences issued under the Licensing Act 2003 and the Gambling Act 2005 fall within the remit of the Licensing Act Committee and not this Committee, but in any event these fees are fixed or influenced by central Government.
- 1.2 As Members are aware, it has for many years been a policy aim of the Council for the licensing service to be self-financing. However, it has always been acknowledged that there are some licences or permits, for example street collection permits, where no fee may be charged. As a consequence, there will inevitably be a deficit in respect of these miscellaneous licences.
- 1.3 Further, it is not lawful for the Council to seek to make a profit from licence fees that are within its discretion. In particular, with regard to Hackney Carriage and Private Hire licensing, Section 70 of the Local Government (Miscellaneous Provisions) Act

1976 provides that a District Council may charge such fees for the grant of vehicle and operator licences as may be sufficient to cover in whole or in part the reasonable costs of carrying out inspections of Hackney Carriages and Private Hire vehicles, the reasonable costs of providing Hackney Carriage stands, and any reasonable administrative or other costs in connection with the control and supervision of Hackney Carriages and Private Hire vehicles. Fees charged for drivers' licences may be set at an appropriate level to cover the cost of issue and administration.

- 1.4 As Members are aware, whilst the setting of the fees is a matter for this Committee, the level of service provision, which directly influences the costs of the service, is a matter for Cabinet. At its meeting in September 2015, Cabinet resolved not to explore any options to reduce or increase the level of service provided by the Council with regard to the licensing of hackney carriages and private hire vehicles. This was on the basis that protecting the most vulnerable in our society is an underlying principle of the Council's Corporate Plan. Many taxi passengers are vulnerable persons and an effective licensing and enforcement regime is crucial for their protection and the safety of the public in general. Accordingly, the proposals for the licence fees for 2016/17 are set out below, and have been prepared on the basis of ensuring that the costs of the service are met, so far as is lawful, from the fee income.

## 2.0 Proposals

- 2.1 Following an ongoing assessment of time allocations for licensing staff, together with recharges from other Services, and other costs borne by the licensing service, the current cost of administering Hackney Carriages and Private Hire vehicle licensing and miscellaneous licensing has been reviewed. As a result of this exercise, the costs have been calculated as follows:

	16/17	17/18	18/19	19/20
<b>Hackney Carriage/Private Hire</b>				
Central Overhead	138,400	142,400	147,100	151,600
<b>Misc. Licences</b>				
Central Overhead	20,200	20,800	21,500	22,100

Recently a new time recording system has been implemented in the licensing department which has enabled officers to give a more accurate breakdown of time allocations to each separate licence as they have been issued. The results of that recording system have been analysed and a detailed breakdown of the actual cost of each licence associated with hackney carriage and private hire licensing is attached at Appendix 3 of this report along with proposed fees which would meet the actual cost of providing each individual licence.

- 2.2 Although the miscellaneous licence fees are based on officer time allocations it is intended to carry out a similar more detailed exercise in relation to miscellaneous licence fees during the next financial year as that carried out for hackney carriage and private hire licensing, and in the interim officers would recommend that a 5% increase be implemented for all miscellaneous licences as set out in Appendix 2 to this report.
- 2.3 It is of course impossible to estimate with any degree of certainty the amount of income from licence fees, given that some licence holders may decide not to renew their licence, and there may or may not be a number of new applications for licences.

However, on the basis of the best possible estimate of the average number of licences that will be issued in future years, it is estimated that, if the fees remained at the same levels as in 2015/16 (together with an annual inflation increase) income from hackney carriage and private hire licensing would be as follows:

	16/17	17/18	18/19	19/20
<b>Hackney Carriage/Private Hire</b>				
Licensing Income	(113,800)	(104,400)	(91,300)	(97,300)
<b>Misc. Licences</b>				
Licensing Income	(14,500)	(9,800)	(9,400)	(15,300)

- 2.4 The following table brings together the allocated staff costs (central overhead), other direct costs for vehicle inspections, DVLA check, printing and stationery, the above income projections and other income from vehicle inspections and the sale of badges and taxi plates. It should also be noted that there are non-recoverable costs shown in the table in relation to hackney carriage and private hire licensing in respect of driver enforcement. It is only legitimate for the Council to charge for the administration of drivers' licences and not enforcement of drivers. Likewise, in relation to miscellaneous licences non-recoverable costs have been deducted in respect of work on charitable licences.

<b>Hackney Carriage/Private Hire</b>	16/17	17/18	18/19	19/20
Central Overhead	138,400	142,400	147,100	151,600
Other Direct Costs	47,300	48,100	49,000	49,900
Licence Income	(111,700)	(102,300)	(89,100)	(95,000)
Other Income	(47,500)	(48,400)	(49,200)	(50,100)
<b>Deficit</b>	<b>26,500</b>	<b>39,800</b>	<b>57,800</b>	<b>56,400</b>
Less Non-Recoverable Costs	(15,800)	(16,000)	(16,200)	(16,400)
<b>Revised Deficit</b>	<b>10,700</b>	<b>23,800</b>	<b>41,600</b>	<b>40,000</b>
<b>Average Deficit</b>	<b>29,025</b>			
<b>Misc. Licences</b>				
	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>
Central Overhead	20,200	20,800	21,500	22,100
Other Direct Costs	200	200	200	200
Licence Income	(14,500)	(9,800)	(9,400)	(15,300)
<b>Deficit</b>	<b>5,900</b>	<b>11,200</b>	<b>12,300</b>	<b>7,200</b>
Less Non-Recoverable Costs	(3,100)	(3,100)	(3,100)	(3,100)
<b>Revised Deficit</b>	<b>2,800</b>	<b>8,100</b>	<b>9,200</b>	<b>4,100</b>

- 2.5 The table shows that both functions are operating at a deficit. For Hackney Carriage and Private Hire on average this is £29K. An average position is shown due to the fluctuations in the number of renewals and the introduction of 3 and 5 year licences. The deficit on miscellaneous licences ranges from £3K to £9K.

- 2.6 Members may recall that as a result of the Deregulation Act 2015, private hire operator licences must be issued for 5 years and driver licences must be issued for 3 years, although individual circumstances may be considered.
- 2.7 The proposed fees therefore set out the default position, which is the cost of a 5 and 3 year licence respectively, and also include the cost of a 1 year licence should individual circumstances justify the grant of a licence for 1 year.
- 2.8 Circumstances it is envisaged where requests may be made for a 1 year licence would be, for instance, when an operator or driver is reaching retirement age and would not require a 5 year licence, or where a new operator may request a 1 year licence so that they can determine whether operating a vehicle is a viable business for him/her. It is recommended that these requests are dealt with by officers.
- 2.9 Officers recognise that the sudden introduction of a 5 year fee may cause some financial hardship for some of the smaller operators. It is therefore proposed that to ease the burden initially, there should be an option allowing for the first licence to be paid for in 2 yearly instalments. This would then give the operator 3 years free of paying a fee to save up to pay the full amount when the licence becomes due again.
- 2.10 Likewise, officers acknowledge that in order to recover the full cost of the driver licence fee, the increase would be substantial, and it is proposed that the same provision is made for payment of the initial fee for renewal should the proposed fees be approved. However Members should note that if the proposal set out in the report in relation to the rise in the Hackney Carriage flag fall are approved, this would generate more than enough income to cover the proposed increase in the cost of the licence.
- 2.11 The control of Hackney Carriage and Private Hire vehicles, and operators, is a time consuming and costly exercise, and it is quite legitimate for a local authority to recover as much of their costs as they are able to in relation to this in accordance with the provisions of the 1976 Act.

### **3.0 Options and Analysis**

- 3.1 The options are as follows:-

Members approve the proposed fees in relation to hackney carriage and private hire licensing, as set out in Appendix 1 of this report, and the deficit in relation to hackney carriage and private hire licensing is removed with the exception of driver enforcement that is not recoverable.

Members approve the fees for miscellaneous licences, as set out in Appendix 2 to this report.

Alternatively, it would be open to the Committee to consider alternative fee structures.

- 3.2 Officers could not recommend an alternative fee structure at this stage, Officers' preferred option would be that the proposed fees are accepted, as the Council should aim to recover as much of its costs in relation to licensing as possible. Based on the suggested fees, the deficit would be minimised as shown below:

<b>Hackney Carriage/Private Hire</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>
Central Overhead	138,400	142,400	147,100	151,600
Other Direct Costs	47,300	48,100	49,000	49,900
Licence Income	(122,600)	(126,400)	(130,300)	(134,400)
Other Income	(47,500)	(48,400)	(49,200)	(50,100)
<b>Deficit</b>	<b>15,600</b>	<b>15,700</b>	<b>16,600</b>	<b>17,000</b>
Less Non-Recoverable Costs	(15,800)	(16,000)	(16,200)	(16,400)
<b>Revised Deficit</b>	<b>(200)</b>	<b>(300)</b>	<b>400</b>	<b>600</b>
<b>Average Deficit</b>	<b>125</b>			

3.3 If Members do not approve the proposed increases, the shortfall in licensing fees would have to be met by council tax payers. Those involved in the Hackney Carriage and Private Hire trades are in a business and it would be difficult to justify an approach whereby a local authority subsidises private enterprise by failing to recover as much of the costs associated with its statutory duties as it is legally able to. Particularly, Members should note that if the increase in the flag fall/Hackney Carriage table of fares is approved, as set out in a previous report considered by this committee, the additional income generated would more than cover the proposed increases in fees.

3.4 If Members are minded to approve the fee structure, as set out in relation to Private Hire operators, and the renewal of Hackney Carriage and Private Hire drivers (this will include dual licences), it is recommended that an option should be given upon first renewal to pay the fee in 2 yearly instalments, thus allowing a period when no fee is payable to save for the next licence fee which would then be paid in full.

#### **4.0 Conclusion**

4.1 Members are requested to consider the licence fees for 2016/17. The legislation requires any increase in the licence fees in respect of Private Hire operators and Hackney Carriage and Private Hire vehicles to be advertised, and a period of 28 days allowed for objections, which must then be considered. Members are therefore recommended to authorise Officers to advertise their proposed increases as required by statute.

4.3 Members are reminded that if the fees are not increased to the proposed level there would be an average shortfall in relation to Hackney Carriage and Private Hire licensing of £29K, which could lawfully be recovered through the fees, but which would in fact have to be met by council tax payers.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

None.

## **FINANCIAL IMPLICATIONS**

The licensing section has monitored the costs of issuing the licences attached and calculated an average cost per licence based on these estimates. Some, such as the Private Hire Operator Licence is a new 5 year licence and the cost has been calculated for these. Others, such as the Drivers Licences and Vehicle Licences and Scrap Metal Dealer Licences have been recalculated and the costs are shown for each, together with the cost of producing the licence.

The revised income figures above are based on an average of £122K/annum, inflated at a 3.1% and results in average annual increase of £29K for hackney carriage and private hire with Miscellaneous Licences increasing income by £2,600 in 2016/17 and 2019/20 and a smaller £300 in other years - and if approved future years budgets will need to be updated as part of the budget process.

## **LEGAL IMPLICATIONS**

Legal Services have been consulted and their comments have been incorporated in the report.

## **MONITORING OFFICERS COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

## **S.151 OFFICERS COMMENTS**

The Deputy Section 151 Officer has been consulted. He advises that, in making their decision, Members give due consideration to:

- Cabinet's decisions regarding the level of service to be provided;
- the work undertaken by Officers to assess the costs of providing the services;
- the legal framework concerning the recovery of costs; and
- the implications for the District's Council Tax payers of setting fees at a level below those proposed.

## **BACKGROUND PAPERS**

None

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